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MANAGEMENT FUNDAMENTALS FOR THE LINE OFFICER AND SUPERVISOR WITH EMPHASIS ON BUDGETING AND FINANCIAL MANAGEMENT IN THE NAVY

JACK G. HUDSON

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MANAGEMENT FUNDAMENTALS FOR THE LINE OFFICER AND SUPERVISOR WITH EMPHASIS ON BUDGETING AND FINANCIAL MANAGEMENT IN THE NAVY

354

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CHAPTER I

FUNDAMENTALS OF ORGANIZATION AND MANAGEMENT

The fundamental principles of organization and management are universal. They are equally applicable to business organizations, executive agencies of the Government, and naval commands in the shore establishment or in the fleet in the operating forces. The problems of organization and management are essentially the same for all types and sizes of business. The recognition of the Department of Defense and the military departments as "big business" has reached its zenith and has been brought into clear focus only in the past decade. Including the military assistance program, the Department of Defense spends about 60 per cent of the total federal budget. It controls $20 billion worth of real property in the continental United States alone. Total assets are in excess of $150 billion. This figure is in excess of the combined assets of the 500 largest industrial corporations in the country by 25 per cent. Almost half of the research and development of this nation is absorbed by the Department of Defense. The Navy too can present some impressive statistics. It is one of the largest organizations in the world with assets in excess of $68 billion, or as large as the combined assets of the one hundred largest industrial corporations in the United States.

There is a basic difference between management in Government and in private industry. In business, a management's worth is measured in terms of its ability to produce a profit. The worth of management in Government cannot be measured in these same simple terms. Especially is this true in the Department of Defense. In Government, the task is to develop sound policies and programs and, after approval by the representatives of the people--the Congress--to carry them out in the most efficient and economical manner possible.

You cannot put a price tag on national security! The Government does not have that tailored yardstick of industry, the profit and loss statement, to measure efficiency and to furnish guidance for future operations. Unfortunately, in the Defense Department it may not be known for many years whether the correct decisions were made, whether the security forces, weapons and logistics are right, whether or not the proper decisions have been made. This may, in fact, never be known until they are employed in actual combat.

ORGANIZATION

Organization is the formal structure for the assignment of duties and authority through which the major activities of work and their subdivisions are arranged, defined, and coordinated. It is the means whereby the activities of many persons are coordinated and directed in a common enterprise or endeavor. It is the form of human association for a common purpose. It establishes the framework within which people work. It pertains to the

positions of the members and also to the inter-relations of their duties.[1] Organization requires attention to persons, positions, and physical facilities. An ideal organization is usually an objective rather than an accomplished fact.

A member of the Special Committee on Organization, Commission on Organization of the Executive Branch of the Government (Hoover Commission), has this to say on the subject of organization:

> Organization in Government, as well as in business and industry, involves principally the relationships of people. Organization is the posture of a group of people to do a given job. It is the arrangement of group effort to provide unity of action in pursuit of a common purpose. It really concerns people and is not something which can be planned and set up as one would machinery or factory or office buildings. How people work together--their relationship one to another--is what, after all, we are concerned with in organization.[2]

In an extremely good discussion an organization in general, he goes on to say:

> Organization defines the total job to be done; breaks it into segments or pieces of work which can be accomplished by smaller units of people working together; determines what each individual can do and should do toward the accomplishment of the total job; makes delegations of authority and assignments to these individuals; establishes controls, checks, and inspections to insure proper quantity, quality, and adherence to standards; and spells out what the relationships of the various parts of the enterprise will be. All of these phases or organization involve, almost exclusively, people. They spell out what people will do and how they will work together so that the total job will be done on time and with each part in its proper place.[3]

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[1] Richard Owens, Introduction to Business Policy (Richard Irwin, Inc., 1954), p. 65.

[2] Cecil E. Goode, "Reorganization and People," Personnel Administration, May, 1955.

[3] Ibid.

What are the Tests of a Sound Organization?

This question is answered by Marshall Dimock, professor and author, in an article "The Objectives of Governmental Reorganization."

> It is one that has a clearly formulated and, of course, a worth-while purpose; one that has enough singleness of purpose so that those who work within the institution are not constantly drawn one way and then another, winding up in frustration. But it is by no means to be assumed that every institution should be able to reduce its goals to a single purpose. A large government obviously cannot, for it has a greater diversity of function than any other institution in modern life. The problem, therefore, is to make the best synthesis possible and especially to resist the temptation to add together programs which, although apparently similar, are basically so different that if they were lumped no one of them would stand much chance of getting from top management the individual attention it deserves.[4]

To summarize, it can be said that organization is the process of determining and establishing the structure, the procedures and the resource requirements appropriate to the course of action selected. Organizing, like the planning function, is systematic preparation for the action which will follow. In organizing, however, emphasis is placed upon inter-relating the required functions, practices, and resources into a coordinated and practicable pattern.

Organizing and planning cannot be set apart. It is nearly impossible in practice to separate them, or to say that planning ends and organizing begins at a certain point. It is usually true that organizing commences after the selection of the proper course of action to accomplish the

---

[4] Marshall E. Dimock, "The Objectives of Governmental Reorganization," Public Administration Review, Autumn, 1951.

objective. Once started, it is broken down into four general steps:

1. Set up the structure.
2. Develop the procedures.
3. Determine the requirements.
4. Allocate the resources.

In setting up an organization, it is important to distinguish between its structure and its method of operation. Structure is based upon the inter-relationships of people and functions, while the latter deals with defining and bringing about the specific conditions which make it possible to achieve the predetermined objectives. Organizational structure is designed to create a framework for effective operations. The procedural aspect is designed to build a system which will specify how to perform the steps of an operation. Changes in procedural patterns are bound to affect the structure of an organization; organizational structure will also affect the design of operating procedures. For practical purposes, setting up an organizational structure consists of inter-relating the various responsibilities which must be undertaken in the accomplishment of an objective, and which will be assigned to various parts of the organization. The process involves delineating the scope and jurisdiction of the responsibilities growing out of the assigned task, showing the relationships which have been decided upon, and creating a channel through which orders travel.

The Organization Structure

There are certain basic building blocks underlying the design of the organization which must be understood and recognized in order to develop and maintain a sound, effective organization structure. Some of the more important of these principles are:

1. Unity of command.
2. Span of control.
3. Homogeneous assignment of work.
4. Delegation of authority.

Unity of command means that the ultimate responsibility for and control of all actions directed toward the objective of an organization are vested in one individual at each level of operations.

Span of control is a term applied to the considerations involved in the relationships between a manager and the individuals he holds responsible for performance of specific duties. It has to do with the number of persons reporting to a common supervisor. It is generally accepted that the ideal span of control is from three to seven persons reporting to one supervisor.

Homogeneous assignment of work pertains to the grouping of functions required to accomplish the mission of an organization according to the similarity or closeness in their relation to one another. (Principle of specialization.)[5]

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[5] Henri Fayol, General and Industrial Management (New York: Pitman Publishing Corp., 1949), p. 20. Fayol calls this "division of work" and lists it as the first of his 14 principles of management. It concerns what has been called the primary step in organization, the determination and establishment of the smallest number of dissimilar functions into which the work of an institution may be divided.

Delegation of authority gives one the right to act automatically--without consulting higher authority--with the assignment of a task. There should be no assignment of responsibility without the delegation of corresponding authority.

Organization Principles

Expanding our study of basic principles of organization, we find that Henri Fayol, in 1909, listed fourteen principles of management some of which bear a striking resemblance to the principles which we have accepted half a century later.[6] Koontz and O'Donnell discuss fifteen principles for sound organization which vary from those of Fayol.[7] A number of them are essentially the same, such as Fayol's principles of division of work, authority and responsibility, unity of command, unity of direction, centralization, and scalar chain. Other Fayol principles apply to managerial functions such as direction, or to problems of leadership. Especially worthy of note are "The Ten Commandments of Good Organization," issued by the American Management Association. This frequently quoted statement of major organization principles is as follows:

> 1. Definite and clear-cut responsibilities should be assigned to each executive.
> 2. Responsibility should always be coupled with corresponding authority.

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[6] *Ibid.*, p. 20. (Originally published in French in 1909.)

[7] Koontz and O'Donnell, *Principles of Management* (New York: McGraw-Hill Book Co., 1955), p. 291.

3. No change should be made in the scope of responsibilities of a position without a definite understanding to that effect on the part of all persons concerned.

4. No executive or employee, occupying a single position in the organization, should be subject to definite orders from more than one source. (This should not interfere with functional direction exercised by staff specialist departments, such as accounting, personnel, purchasing.)

5. Orders should never be given to subordinates over the head of a responsible executive.

6. Criticisms of subordinates should, whenever possible, be made privately, and in no case should a subordinate be criticized in the presence of executives or employees of equal or lower rank.

7. No dispute or difference between executives or employees as to authority or responsibilities should be considered too trivial for prompt and careful adjudication.

8. Promotions, wage changes, and disciplinary action should always be approved by the executive immediately suprior to the one directly responsible.

9. No executive or employee should ever be required, or expected, to be at the same time an assistant to, and critic of, another.

10. Any executive whose work is subject to regular inspection, should, whenever practicable, be given the assistance and facilities necessary to enable him to maintain an independent check of the quality of his work.[8]

Organizational Dangers

In any organization, whatever the size, complexity, or field of endeavor many mistakes in formulation and operation are made. This is due to the fact that organizations are composed of people, and we all have human failings. True, some are more costly than others; some spell the downfall of the organization, others may be overlooked. There are a few that are so common that they should be emphasized. Despite their obviousness, they continue to thwart the

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[8] American Management Association, "The Ten Commandments of Good Organization." Reprinted in Ernest Dale's Planning and Developing the Company Organization Structure (New York: American Management Association, 1952), p. 157.

effectiveness of many an undertaking. These common organizational dangers are presented by Koontz and O'Donnell as follows:

> Careless application of the staff principle.
>
> Unrestricted delegation of functional authority.
>
> Dual subordination.
>
> Granting authority without exacting responsibility.
>
> Exacting responsibility without delegating authority.
>
> Failure to clarify relationships.
>
> Failure to delegate authority.
>
> Confusion of authority and informational relationships.[9]

American Management Association Study

In 1952, the American Management Association completed a two-year research study of company organization. This study was prompted by the feeling that in most of the discussion about organization, there is too much generalization based on personal opinions, off-the-cuff observations and hunches; there are too many unverified theories which defy systematic analysis. Too many executives speak about organizational problems in terms of what they believe they ought to do rather than in terms of what they are doing.

This was the background for the study in which 40 companies believed to have harmonious organization structure were visited. The personnel conducting the survey examined and analyzed several hundred organization charts and manuals.

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[9] Koontz and O'Donnell, Principles of Management (New York: McGraw-Hill Book Co., 1955), p. 2[illegible].

In addition they talked to and corresponded with scores of outstanding thinkers and practitioners on organization. The results of this study are published in A.M.A. Research Report No.20 - Planning and Developing the Company Organization Structure.[10]

The study concludes that notable changes have occurred in organization thinking since F. W. Taylor and Henri Fayol devoted systematic study to it. These changes are merely the reflections of broader scale changes taking place in our industrial society, but an understanding of them is essential to our knowledge of company organization. The study attempted to reconcile the traditional concepts (Taylor and Fayol) of organization to these important changes which directly affect their application.

Some of the major findings are summarized below:

1. Organization must be studied as a process of growth--adapting organizations to changes.

2. Basic company objectives determine the basic company functions as well as the division of work--new methods of dividing work among executives.

3. Organization structuring should take greater account of the personality factor--recognize the influence of executive personality on the company's organization structure.

4. The span of control is an important determinant

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[10] Ernest Dale, Planning and Developing the Company Organization Structure (New York: American Management Association, 1952).

of executive effectiveness--rather than hold rigidly to a predetermined span of control of from three fo six men (executives at the presidential level have a span of control nearer eight or nine), it is advisable to weigh the advantages of increasing delegation to a greater number of subordinates against its disadvantages, and increase or decrease the span of control until the two are in balance.

5. The staff assistant or "assistant to" is one of the most useful and yet most misunderstood functions in the organization structure.

6. Staff executives are assuming more command powers, resulting in divided authority and conflicts with line executives.

7. Committees are a widespread form of management, but the benefits of committee management for specific types of activities, as compared to alternative methods of management, have been little explored.

8. Decentralization, in itself, is neither desirable nor undesirable. It depends upon the type and extent of decentralization we are talking about and its applicability to a company's individual needs.

9. Changing the company organization is a gradual process.

"In sum, good organization is like good wine: It takes loving care and much patience before it becomes mature and mellow."

MANAGEMENT

Management may be defined in several ways depending upon the assumptions upon which the definition is postulated. From a broad social point of view, management is a technique or method developed as a result of the human tendency to form groups. Each group, whatever it may be, must have its own management. Then in this sense, management may be defined as a technique by means of which the purposes and objectives of a particular group are determined, clarified, and effectuated. If the general concept of management is considered in its specific aspects, other definitions must follow:

Government, as pertaining to management, means the protection, regulation, and motivation of its citizens by any political unit.

Public management is the organization of any unit of government, and the exercise of authority and responsibility over the employees of such a unit.

Military management is a special type of public management. It involves the recruiting, training, organization, discipline, equipping, and command of military units.

Business management is a specialized and distinct type, differing materially from government and public management. It includes the organization, direction, control and supervision of the operations of a business unit.[11]

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[11] Petersen and Plowman, Business Organization and Management (Chicago: Richard D. Irwin, Inc., 1949), p. 32.

In the Department of Defense, and the military departments, management may be defined as a process of organizing and employing resources to accomplish predetermined objectives. It can be said that although the objectives vary considerably in definition, mission, and scope, the overall objective is to achieve maximum operational effectiveness in accomplishing the essential missions assigned. In the military, operations are undertaken to accomplish objectives. The extent to which the objective is attained is the effectiveness of the operation. The proof of success of management is operational effectiveness. This axiom is as true in business as it is in government and in the armed services.

Administration vs. Management

Administration and management may be thought of as identical functions. Consulting a dictionary, we find that administration is defined as management (of a business, public affairs, etc.); the conducting of the governmental duties of a state, especially its executive functions.[12] On the other hand, management is defined as control; handling; direction; persons that manage a business or an institution. It lists as a synonym administration.[13] Newman also claims that the terms are synonymous,[14] while other authorities

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[12] Thorndike-Barnhart, Comprehensive Desk Dictionary (Garden City, N.Y.: Doubleday and Company, Inc., 1951).

[13] Ibid.

[14] William H. Newman, Administrative Action (New York: Prentice-Hall, Inc., 1954).

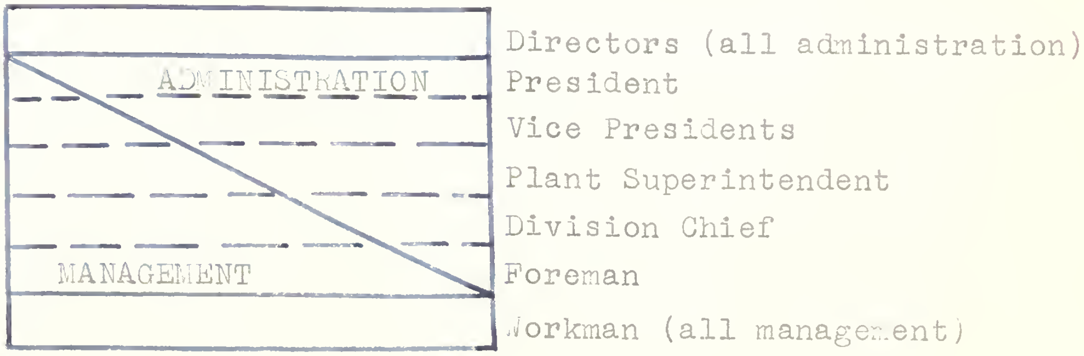
make a distinction. One widely accepted differentiation is that administration is the formulation of the program while management is the execution of the program. Thus, the following definitions apply:

Administration--formulation of program, policy, objectives; endeavoring to fit the organization into the economic environment.

Management--carrying out the program; supervision of work.

This latter school of thought makes the distinction between the activities at the top and at the bottom of the organization. The top levels are more concerned with administration while the bottom levels are more involved in management. Administration has its roots in a conceptual approach: stressing of objectives; declaring policies; conceiving of the workers and the business as a single unit; relation of the business to the economy and to the community; fitting it into the economic system.

This distinction between administration and management is explained and made clear in the following illustration.


ADMINISTRATION
MANAGEMENT
Directors (all administration)
President
Vice Presidents
Plant Superintendent
Division Chief
Foreman
Workman (all management)

It is in this light that we see such authorities as Alvin Brown declare that administration is the aggregate of the endeavors of all members of management which are directed toward the accomplishment of its purposes.[15] It includes the determination of ways and means of achieving the established goals in accordance with the accepted policies or guiding principles. It also includes the assignment of duties and responsibilities to various members of the enterprise for the purpose of accomplishing the stated objectives, the direction or supervision of the activities performed, the establishment of systems and procedures, the checking up on results, and the taking of such corrective action as may be required.[16]

Phases of Administration

A simplified classification of the phases of administration lists three steps: planning, doing, and seeing.[17] These phases are not distinctly separate, but they are overlapping in the responsibilities of any one individual. In some organizations, large corporations, a person might hold a position which requires him to perform

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[15] Alvin Brown, Organization of Industry (New York: Prentice-Hall, Inc., 1947), p. 11.

[16] Richard Owens, Introduction to Business Policy (Richard D. Irwin, Inc., 1954), p. 54.

[17] Alvin Brown, Organization of Industry (New York: Prentice-Hall, Inc., 1947), Chapter XIII.

only one of the phases. In direct opposition we would find the onwer-operator of a small retail establishment performing all of the phases, planning, doing, and seeing.

An interesting classification of the phases of administration is drawn by another author, James Mooney, who lists them in two categories as follows:[18]

Planning -- Legislative
Performing -- Executive
Deciding -- Judicial

Many authors, educators, and authorities on the subject have interpreted the phases of administration in their own words. Perhaps the earliest of these categories was that given by Henri Fayol whose book, a significant contribution to the field of management, was originally published in French in 1909.[19] Fayol's listing separates administration into five phases:

Planning
Organizing
Commanding
Coordinating
Controlling

It should be noted that these phases, or elements of administration, resemble the three phases as stated by Alvin Brown. Brown, however, combines organizing, commanding, and coordinating as a single phase which he calls "doing."

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[18] James D. Mooney, Principles of Organization (New York: Harper and Brothers, 1947), p. [illegible].

[19] Henri Fayol, General and Industrial Management (New York: Pitman Publishing Corp., 1949. Original in French, 1909).

Still another concept of administration is presented by William Newman who lists five basic processes of administration which have a notable similarity to Fayol's.[20] Newman gives his basic processes as:

Planning
Organizing
Assembling
Directing
Controlling

The phases of administration as given by Brown, Mooney, Fayol, and Newman are shown below.

Fayol	Brown	Mooney	Newman
Planning	Planning	Planning	Planning
Organizing			Organizing
	Doing	Performing	Assembling
Commanding			Directing
Coordinating			
Controlling	Seeing	Deciding	Controlling

The previous discussion has no significance unless one knows of what elements the various phases, "planning," "doing," and "seeing" consist.

1. *Planning* is the formulation of a program for accomplishing a given objective. The steps in planning may be summarized as follows:

---

[20] William H. Newman, *Administrative Action* (New York: Prentice-Hall, Inc., 1951), p. 4.

Define the problem.

Obtain necessary facts.

List the alternative solutions.

Decide on the best alternative.

Schedule the plan or program.

2. Doing is the performance of work in accordance with the plan. In the execution of any plan or program, the work must be divided into major functions and activities listed below.

Determination of the organization.

Assembly (or preparation) of resources--manpower, material, and money.

Command (or direction) to initiate the work. This includes instructions as to the manner of doing the work with such explanations as necessary.

Coordination or direction of the activities to establish and maintain good will among the employees, increase efficiency, promote economy, and eliminate duplication of effort and waste.

3. Seeing how the work is progressing, and in what manner it is being done. This phase includes:

Obtaining information.

Modify instructions; prescribe new methods.

Authorize corrective action.

Phases - Summarized

The phases of administration may be summarized as follows:[21]

---

[21] Richard Owens, Introduction to Business Policy (Richard Irwin, Inc., 1954), p. 60.

Phase I. Planning, determinative, or legislative

- Long-term and short-term planning.
- Planning for personnel, material, and financial needs.

Phase II. Doing, applicative, performing, or executive

- Organization.
- Assembly, or preparation.
- Command, or direction.
- Coordination.

Phase III. Seeing, interpretative, deciding, or judicial

- Reports of performance.
- Approval or criticism.
- Countermand or corrective action.

What is Management in the Military Sense?

> Military management may be defined as the vital spark that activates, directs, and controls the military organization to the end that its objectives are accomplished. Therefore, military management has the function of executive leadership and is performed by that group of commanders and other military executives who make decisions for, and give instructions to, the personnel of the military organization . . . . In fact, since the functions of executive leadership . . . are the basic functions of military management, it can be said that military management and executive leadership are synonymous terms.[22]

As a consequence, military management, or executive leadership, is charged with the task of making decisions for, giving instructions to, and evaluating the degree of success in the accomplishments of the personnel of the military establishment. Dependent upon the executive level, the task

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[22] John R. Beishline, Military Management for National Defense (New York: Prentice-Hall, Inc., 1950), p. 5.

is either predominantly administrative or operative in nature, i.e., determination of broad, overall policies, or it is managerial or executive in nature.

The principles and functions of management appear to be identical for any organized effort, government or industry, military or civilian. It is the problems of management which are not necessarily the same either among the military services, or in industry. Henri Fayol comments that no enterprise can be successful without good management and every enterprise that is poorly managed is doomed to failure. This principle is as true for the State as for private industry.[23] The basic functions of management or, in another connotation, administration--both military and industrial, have been variously explained by experts on management subjects as previously noted. They all express fundamentally the same essential data given to us by Fayol.

Summary

In summary, the separate activities of management are planning, organization, command, coordination, and control. No organization can be managed efficiently and effectively unless these five functions are performed. For our purposes we shall define them as follows:

"Planning" is the process of selecting the best line of action in order to accomplish a task.

---

[23] Gulick and Urwick (eds.), Papers on the Science of Administration (New York: Institute of Public Administration, Columbia University Press, 1937); Henri Fayol, "The Administrative Theory in the State," p. 102.

"Organizing" is the process of inter-relating in a systematic and practicable manner the factors relevant to the selected line of action.

"Commanding" is the action of securing the understanding, acceptance, and participation of those persons under the command of the manager.

"Coordinating" may be defined as the action of securing the cooperation of those persons not under command of the manager, and the fitting together of the efforts of the various parts of the organization toward the overall accomplishment of the common goal.

"Controlling" is the process of determining whether actual operation is proceeding as desired, and of evaluating the performance through the facts obtained.

Organization has been defined as a phase of management or administration. It may be conceived as consisting of a framework by means of which the work of a business, managerial and otherwise, is performed. It also denotes a process of specializing the work of management so that harmonious and efficient business activity may result.[24]

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[24] Petersen and Plowman, Business Organization and Management (Chicago: Richard D. Irwin, Inc., 1949), p. 34.

CHAPTER II

EVOLUTION OF FEDERAL BUDGETARY ADMINISTRATION

The modern budget system has accompanied the growth of representative government, and growth in the economic importance of governmental activities. In most countries, with the prominent exception of the United States, the budget system was established first at the national level, and from there spread to provincial and local governments. Budgeting has not developed uniformly among all governments, however, nor is it traceable to a common set of influences which has operated in the same fashion in all countries.[1]

Budgeting, as pertaining to the federal government, is the process by which the financial policies of an administration, including monetary requirements, are formulated and executed. The legal foundation upon which the budget of the United States Government is based is provided for in the Constitution:

> Article I, Section 8
> The Congress shall have power . . . to make all laws which shall be necessary and proper to carry into execution . . . powers vested by this Constitution in the government of the United States, or in department or office thereof.
>
> Article IV, Section 3
> The Congress shall have power to dispose of and make all needful rules and regulations respecting the territory of other property belonging to the United States . . . .

---

[1] Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 2.

> Article I, Section 8
>
> The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States;
>
> To borrow money on the credit of the United States . . . .
>
> Article I, Section 9
>
> No tax or duty shall be laid on articles exported from any state . . . .
>
> Constitutional Amendment No. 16
>
> The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration.
>
> Article I, Section 7
>
> All bills for raising revenues shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills.
>
> Article I, Section 8
>
> The Congress shall have power . . . to raise and support armies, but no appropriation of money to that use shall be for a longer term than two years . . . .

Not until 1921, however, was there any single organization in the U.S. Government charged with the responsibility of preparing a complete receipt and expenditure statement of federal financial activities. Largely as a result of expenditures during World War I, and the recognized need for budget reform, it was felt that a centralized budget would contribute to the cause of expenditure reduction and tax reduction. In 1919 Congress was faced with the problem of establishing a centralized agency to coordinate budgetary requirements. Their attempts to provide adequate legislation were unsuccessful when President Wilson vetoed the bill. In 1921, after the election of President Harding, this bill was re-introduced and passed as the Budget and Accounting Act of 1921.

This Act had three main purposes: (1) to provide for a comprehensive Presidential budget; (2) to provide the President with the Budget Bureau in the Treasury Department to assist him in the preparation of the budget and to strengthen his authority over the executive departments; and (3) to assign responsibility for accounting to a General Accounting Office under a Comptroller General.

From earliest history in our government it appears to have been the intent of Congress to vest authority for the budget and budgetary processes with one department--the Treasury Department. In 1789, the act establishing the Treasury Department required the recording of receipts and expenditures. The Secretary of the Treasury was to perform those functions now performed by the financial committees of the Congress. Again, in 1800, the Secretary of the Treasury was to prepare for the Congress a report on federal finances, and to make recommendations for increasing revenues. Congress, in 1802, established a permanent Ways and Means Committee to deal with both revenues and expenditures.

These then were the symptoms of the growing pains of the budgetary process which continued until the first major reform was made through the Budget and Accounting Act of 1921. Smithies has this to say about the fragmented budget process from 1789-1821:

> . . . it is essential to realize that traditional budgetary procedures have grown out of efforts by the Congress to control the Executive through the device of highly specific appropriations rather than by consideration of the requirements of an effective budgetary process . . . . The history of the nineteenth century shows how essential it is to consider expenditures and

> revenues together if budgeting is to be meaningful . . . . The history of the period shows that the Congress has never made effective and systematic use of the review of actual operations as an instrument of control, in part because the Congress has been more anxious to control the Executive than to promote its efficiency.[2]

Reform of the Budgetary Process

As already discussed, major reform commenced in 1921. Prior to this time the history of the budget process can be summed up by saying that the executive departments had been able to go directly to the Congress and request funds. Through influence the funds were obtained, and then spent for other reasons than for which appropriated. The Treasury Department had acted merely as a transmittal agency, sending requests for funds to the Congress with no changes. The President had no part in the financial management of the government, nor in the preparation of the budget. Congress changed its viewpoint somewhat in 1909 and required the Secretary of the Treasury to submit a report of estimated required appropriations to the President. He was then to make recommendations to the Congress, however, he had no organization with which these legislated tasks could be performed.

The establishment of the Executive Office of the President under authority of the Reorganization Act of 1939 is the next principal budgetary reform. Reorganization Plan No. 1 under the Act transferred the Bureau of the Budget to the Executive Office of the President from the Treasury

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[2] Arthur Smithies, The Budgetary Process in the United States (New York: McGraw-Hill Book Co., Inc., 1955), p. 49.

Department. Now, the Director of the Budget was to act under the immediate supervision of the President.

The most recent and by far the most publicized survey of the Executive Branch of the Government has been that performed by the Hoover Commission. Established by the Lodge-Brown Act of 1947, this group developed a number of recommendations affecting budgetary and accounting practices.

One of the most controversial items brought forth by the Hoover Commission was the idea for a performance-type budget.

Aside from a new type of budget presentation, the Hoover Commission made recommendations regarding the necessity for a complete survey of the appropriation structure, the separation of current operating expenditures and capital outlays in budget estimates, the authority of the President to reduce expenditures under appropriations, the development of closer relations within the Bureau of the Budget and between the Bureau and other agencies, the statistical services, supervision of publications, and several recommendations specifically dealing with accounting. Quite a number of these recommendations have found their way into law or into regulation and procedure. Despite the criticism that the Hoover Commission was a little too vague when dealing with the budgeting and accounting problems, it can be said safely that it gavenew impetus to progress in the field of budget and accounting, if for no other reason than calling attention to much needed improvements. Two of the statutory reactions to the Hoover Commission work were

Title IV, Public Law 216 of 1949, and the Budget and Accounting Act of 1950.

National Security Act Amendments of 1949.

Largely due to the work of the Hoover Commission, but also as a result of experimentation in the Department of the Navy and the Air Force, the National Security Act of 1947 was amended to add a new Title IV aimed at establishing a uniform budgetary and fiscal procedure and organization within the national military organization.

In addition to creating Comptrollers for the Department of Defense and the Military Departments, authorizing working-capital funds, management funds, and requiring quantitative and monetary property recording, this amendment specifically called for the use of performance-type budget presentations by the Army, Navy, and Air Force by fiscal year 1952.

Under the terms of Section 403 the budget estimates of the Department of Defense

> shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may determine, so as to account for, and report, the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs.

Since the passage of this law the three services have been engaged in converting their present appropriation structures in order to comply with these instructions. The budgetary demands created by the international situation have complicated the task of conversion and it will be several

more years before substantial progress can be achieved. It has been a case of something more easily "said than done" since traditional organization and general uncertainty as to definition of terms are among the obstacles to overcome.

Budget and Accounting Procedures Act of 1950 (64 Stat.)

On September 12, 1950, the Congress approved what has been termed "the most important piece of legislation of the past thirty years" in connection with budgeting and accounting. Attempting to incorporate most of the Hoover Commission recommendations, this Act revised much of the 1921 Act in budgeting and created, in Part II, "Accounting and Auditing Act of 1950." In addition it provided for certain changes in authorization and adjustment of appropriations, as well as repealing 106 laws and parts of laws no longer of value.

It is most interesting to note that no specific mention is made in this legislation of the term "performance budget" as had been done in Public Law 216. It did provide that

> the Budget shall set forth in such form and detail as the President may determine--(a) functions and activities of the Government

which has been interpreted to mean authority for the use of the performance-type presentation. Although it did not specify separation of capital and operating programs as had been done in the Defense Department Act, it did permit "any other desirable classification of data."

From the report on the bill, it is evident that Congress intended to encourage the extension of performance

budgeting in the federal government.[3] In 1955 the second Hoover Commission reviewed and praised the progress that had been made in the development of performance budgeting, and recommended that further steps be taken in this direction.[4]

The Budget and Accounting Procedures Act of 1950 attempted a compromise within the framework of present organization. It is a unique example of cooperation among the Congress, the Comptroller General (General Accounting Office), the Treasury, and the Bureau of the Budget. The Act retains for the Comptroller General the authority to prescribe the form of accounts and to review accounting systems, but it requires him to consult with the Treasury and Budget Bureau. The Secretary of the Treasury retains his central responsibility for accounting in the Executive Branch. The auditing functions remain with the Comptroller General in the General Accounting Office. From our present point of view, the importance of the Act lies in the emphasis it gives to the close relation that should exist between accounting for the past, administrative management, and programming for the future.[5]

The 1950 Act has incorporated in it potentialities for additional future progress, even though full implementation may take quite some time.

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[3] House Report No. 2556, 81st Congress, 2nd Session.

[4] Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 136.

[5] Smithies, op. cit., p. 89.

The Bureau of the Budget--Today

The Bureau of the Budget was established by the Budget and Accounting Act of 1921 as a staff agency of the President. Although directly responsible to the President since its inception, it was originally placed in the Treasury Department. When the Executive Office of the President was created in 1939, the Bureau was made one of its divisions.

Responsibilities of the Bureau of the Budget may be grouped under five headings: (1) preparation and administration of the budget; (2) improvement of government organization and management; (3) improvement of accounting and other phases of financial management; (4) legislative analysis and review; and (5) coordination and improvement of Federal statistics.

A more detailed statement of the Bureau's functions is provided in Executive Order No. 8248 of September [illegible], 1939, which defines the tasks of the several divisions of the Executive Office of the President. This list reads, in part, as follows:

> To assist the President in the preparation of the budget and the formulation of the fiscal program of the government.
>
> To supervise and control the administration of the budget.
>
> To aid the President to bring about more efficient and economical conduct of the Government services.
>
> To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated, and work completed, together with the relative timing of work between the several agencies of the Government, all to the end that the work programs of the several agencies of the Government may be coordinated and that the monies appropriated by the Congress may be expended in the most economical manner possible with the least possible overlapping and duplication of effort.

The nature of its functions makes it essential for the Bureau to maintain effective working relationships with all of the agencies of the Federal Government. The normal channels in which this is maintained are through the five line divisions of the Bureau:

1. Commerce and Finance Division
2. International Division
3. Labor and Welfare Division
4. Military Division
5. Resources and Civil Works Division

As a means of dealing with Government-wide problems of a specialized nature, of furnishing guidance to the divisions, and of exercising certain of its functions by a single staff group, the Bureau makes use of five staff offices:

1. Office of Accounting
2. Office of Budget Review
3. Office of Legislative Reference
4. Office of Management and Organization
5. Office of Statistical Standards

Each division deals with a broad segment of the Government's activities, bringing the Bureau's budgetary, fiscal, and management responsibilities to bear upon the agencies that come under its cognizance. The divisions review agency programs and budget requests; develop recommendations on the budget; assist the Director in the control and review of the execution of the budget; analyze proposed legislation and Executive Orders; stimulate and assist the Executive agencies in the improvement of management

and organization; work on special projects involving long-range budgetary and organizational improvement, generally in cooperation with one of the offices; and propose improvements in the coordination of agency programs.

The Office of Budget Review develops budget procedures; prepares fiscal analyses and reviews; plans and schedules the estimates process; coordinates the review of annual and supplemental estimates; prepares the budget document and related documents; drafts materials for the President's Budget Message; maintains liaison with the Appropriations Committees, the Joint Economic Committee and the Joint Committee on Internal Revenue Taxation of Congress, and those Executive agencies primarily concerned with economic and fiscal policy; and provides legal advice to the Bureau.

Summary

In the early history of the United States, the smallness and simplicity of Federal appropriations permitted the confusion of the Congressional Committee system, and lack of financial jurisdiction. The tremendous growth in size and complexity of Government financial activities required that an orderly budget process be established. The Budget and Accounting Act of 1921 began the development of this process of budgetary reform. It has been revised periodically in succeeding years, and today it can be said that the United States has a comparatively adequate and orderly system of budgeting its revenues and expenditures. However, the process is by no means perfect, or near perfect. It is by no means static. The process is still evolving after

one hundred and seventy years of our dynamic economy. Considerable study is being devoted to it so that the taxpayer may receive the maximum return on every dollar spent by the Government. Further, the Federal Budget should provide a better choice and coordination of Federal programs. It is unfortunate indeed, that politics and political influences play such an active role, oftimes injurious, in the control of our nation's resources.

CHAPTER III

THE BUDGET CYCLE

The Federal Budget can be defined as a financial plan for the ensuing fiscal year, covering the revenue and expenditure programs for the United States Government with comparisons between the future, current, and past years. The budget as passed by the Congress gives approval to the performance of specific Government services; determines the priority and scope of these services; and provides for the time-phasing of their accomplishment in terms of fiscal years. The Federal Budget comprehends the whole financial plan, including all the work required for compiling the estimates and expenditures, the preparation of the document itself, the submission to the Congress, and its execution by the President through the Executive Departments.[1] It should be noted that the Federal Budget is also a control, designed to enforce accountability for the efficient execution of authorized programs.

The budget document itself is published annually in two large volumes of approximately 1500 to 2000 pages, consisting of the President's Budget Message and four parts:

Part I - Summary Tables

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[1] E. E. Naylor, The Federal Budget System in Operation (Washington, D.C.: Hayworth, 1941), p. 10.

Part II - Estimates for Federal Funds

Part III - Estimates for Trust Funds

Part IV - Special Analyses

The Appendix, the second volume, contains more detailed information on personal services such as the number of General Service employees, grade 9, who are engaged in analyzing statistical data in the American Battle Monuments Commission, or the number of clerk-typists in the Office of Investigations of the General Accounting Office.

Because of its length, masses of figures, and complex legal and accounting data, it is about as readable as a Manhattan Telephone Directory. However, program statements are improving and if one reads them alone, ignoring appropriation language and tables, the reader can gain some brief ideas on the "why" and "how" of each program.

A few definitions by authorities and scholars in the field of public finance are quoted as items of interest:

"Public budgeting is the process by which the financial policy of a government, including its monetary requirements, is formulated, adopted, and carried into effect."[2]

"Budgets are not merely affairs of arithmetic, but in a thousand ways go to the root of prosperity of individuals, as the relation of classes, and the strength of kingdoms."[3]

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[2] A. E. Buck, Public Budgeting (New York: Harper Bros., 1929), p. 3.

[3] H. D. Smith, The Management of Your Government (New York: McGraw-Hill Book Co., 1945), p. 72.

> The budget process . . . is primarily a system of communications, regularized and cyclical. Its purposes fall into two logical categories: First, the bringing of information to the proper level for the making of decisions--a category in government policies, programs, and objectives, which we roughly classify as policy; and second, the providing of information both upward and downward so that those decisions will be properly carried out--a category we may roughly classify as administrative.[4]

> A budget may be a device to double our worry by making us worry about the same thing twice--before, as well as after we spend. Unfortunately, advance worry may be the only way to avoid near catastrophe. A budget is a device to make our worry constructive. It is a statement of a financial plan of receipts and expenditures.[5]

"Budgeting is essentially an economic problem, involving as it does the allocation of scarce resources among almost insatiable and competing demands."[6]

"Government budgeting is one of the major processes by which theuse of public resources is planned and controlled."[7]

The origin of the word "budget" might also be of interest. It originally meant the money bag or the public purse, which served as a receptacle for the revenue and expenditure of the state.[8] In Britain the term was used to

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[4] F. C. Mosher, *Program Budgeting: Theory and Practice* (Syracuse: Public Administration Service, 1954), p. 5.

[5] C. L. Harriss, *The American Economy* (Homewood, Illinois: R. D. Irwin, 1953), p. 803.

[6] Arthur Smithies, *The Budgetary Process in the United States* (New York: McGraw-Hill Book Co., 1955), p. xiv.

[7] Jesse Burkhead, *Government Budgeting* (New York: John Wiley & Sons, Inc., 1956), p. vii.

[8] Henry Carter Adams, *The Science of Finance* (New York: Henry Holt and Co., 1898), p. 104.

describe the leather bag in which the Chancellor of the Exchequer carried to Parliament the statement of the Government's needs and resources. Eventually, the term came to mean the documents which were contained in the bag--plans for Government finances submitted for approval by the legislature.[9]

Budget Formulation

The Federal budget process reflects the division of powers of the Government between the President and the Congress. Preparation of the budget is the responsibility of the Executive branch. With the President's budget and other information, Congress decides how much is to be appropriated for each of the activities of the Government. Responsibility for spending the funds appropriated is an Executive branch function, not a Legislative one.

Preparation of the budget begins in the Executive departments and agencies more than a year before the beginning of the fiscal year concerned. This is the start of the budget cycle. Accepted as the major steps in the budget formulation process--as distinguished from the budget execution process--are the following:

1. Determination of general fiscal policy by the President;
2. Preparation of estimates by the Executive agencies;
3. Consolidation of the individual estimates into a tentative budget by the President;

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[9] Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 2.

4. Holding of public hearings (excepting DOD hearings) concerning the estimates;

5. Framing the budget document in its final form.

The allocation of budget ceilings is based upon the total, overall government requirements and the submission of requests by the Executive departments for funds for the budget fiscal year. The departments submit their initial estimates to the Bureau of the Budget which assembles and evaluates the information and establishes departmental ceilings. Once determined, the departmental ceilings are passed to the Executive departments for further breakdown.

Hearings

Departmental hearings are going on all the time; this is a continuous process. They tend to serve as a seminar for the BuBud hearings and the final Congressional hearings. In effect, these are "skull sessions," and are subject to change due to economic and political changes, and revisions of requirements. It stands to reason that through a continuing process of departmental hearings, plans may be maintained in a flexible form. It is much easier to contemplate the final budget request if the work of the department is continuing and flexible in nature. In this manner, the departments will be able to react to any changes and to adapt their budget accordingly.

Upon receipt of the informal (not the initial estimate) budget from the Executive department, the Bureau of the Budget holds hearings. Usually present at these hearings besides the BuBud personnel are three or four key persons from

the Executive agency. These DOD hearings are before a Review Committee consisting of the Director, Deputy Director, and the five division chiefs who attempt to equate the department's request with the single line figure which is sent to the President. Once determined by the Review Committee, the departments are notified of the total figure to be used in their formal budget submissions.

The Congressional Hearings by the House and Senate Appropriations Committees result in the drafting of appropriation bills for the several executive departments, and their ultimate enactment and approval.

Executive Agency Action

It should be remembered that the budgeting process is a continuing one; while estimates for the forthcoming fiscal year are being prepared, (1) the budget for the current year provides a point of reference for evaluating the performance of approved programs, and (2) the budget for the past fiscal year shows completed performance during that period. Consequently, the head of the agency can accurately gauge where his programs have been, where these programs are currently going in relation to plan, and where they will go in the future. In studying the development of the agencies' requests, it must be borne in mind that since the process is continuing and elastic in nature, much information is exchanged on an informal basis. Many of the differences are ironed out prior to the actual hearings. In order to arrive at their estimates, each agency would take

action in the following sequence:

1. Head of the agency determines the agency policies, and directs preparation of program objectives to support those policies. This is usually delegated to a Budget Division.

2. The executive committee of the agency prepares program objectives and submits them to the head of the agency for review and approval.

3. The head of the agency issues the approved program objectives to the various bureaus and offices of his agency.

4. The bureaus and offices then prepare original estimates based on program objectives. The estimates are then returned and justified to the agency executive committee.

5. The agency executive committee and the head of the agency review the estimates and justifications and determine on an agency budget.

6. The head of the agency approves the agency budget and forwards it to the Bureau of the Budget.

7. The Bureau of the Budget reviews the submission in conjunction with the agency and the budget is "marked up."

8. The agency resubmits the agency budget in the smooth in accordance with the mark up and reclama procedure.

9. The Bureau of the Budget reviews the resubmission and on approval incorporates it into the President's budget document.

10. The agency budget is then returned to the head of the agency by the Bureau of the Budget. The head of the

agency instructs the bureaus and offices regarding the form and content of the final estimates and justifications in support of the President's budget document.

11. The bureaus and offices of the agency then prepare the final estimates and written justifications for use by the head of the agency in his presentation to the Congress.

It is interesting to note that there are significant differences in the formulation of the Defense Department budget and the budgets of other departments and agencies. The Joint Chiefs of Staff advise the President of the aggregate amount of the budget on the Department of Defense level. The military budget is considered separately from the budget of the rest of the government. Reason for this is that major security decisions are made during the budgetary process. Budgetary decisions determine how rapidly the military service objectives are to be reached. The Defense budget results essentially from decisions concerning the extent to which the foreign policy of the country is to be supported by military strength, and the nature of the military program that will provide this support most efficiently. The National Security Council and the Joint Chiefs of Staff take international politics into account in arriving at the aggregate Defense budget.

There are no separate Bureau of the Budget hearings for the military budget. BuBud hearings are carried on simultaneously with the Departmental hearings. There is no firm date for submission of the Department of Defense Budget

to the Budget Bureau. Other departments must submit their estimates by the 15th of September. Defense Department budget hearings in Congress are held in closed session; other departments' hearings may be but seldom are in open session.

Budget Timetables

The timetable for the estimates process in the preparation of the budget for a non-defense department or agency is as follows:

1. May through June: Overall budget policy development by the President and the Bureau of the Budget.

2. June: Development of ceilings for the agencies.

3. June: Budget policy transmittal. This is usually accomplished by the "policy letter" of the Director of the Budget, commonly known as the "call for estimates." The Director may hold meetings with agency heads in place of issuing the policy letter. The "call" includes special information and detailed specifications, usually promulgated in Bureau of the Budget Circular No. A-11.

4. July, August, through September 15: Preliminary work by budget examiners. This preliminary work includes review of program progress based on work and financial reports analysis. It is during this period that discussions are held with agency personnel in order to establish coordination of programs.

5. July through August: Budget examiners advise and assist agencies with form, language, and special data required. Proper form and language is necessary in order

to assist the Congress in its consideration of agency requests.

6. September: Agencies submit appropriation requests to the Bureau of the Budget.

7. September 15 through November 15: Budget examiners review, analyze, and recommend total budget based on a knowledge of the needs of the agency, the status of the programs of the agency, comparative data with other agencies, unit costs, etc.

8. September 25 through November 20: Budget hearings are held during this period. Detailed justification of new programs as well as existing programs are made at this time.

9. October 10 through November 25: Recommendations by budget examiners to the Director of the Bureau of the Budget. This phase is known as the Director's Review.

10. October 15 through November 30: Review by the Director of the Bureau of the Budget. Major questions of program and policy are viewed in light of other appropriation requests and budget policy.

11. November through December 15: Review and decision by the President. The agencies are notified of the President's decisions. The agencies then prepare revised estimates to conform with the President's decisions. Based on the revised estimates, the budget document is prepared.

12. January: Submission of the President's Budget to the Congress.

For the Department of Defense and specifically the Navy, the development and review of the budget would adhere

to the following pattern:[10]

1. Over a year and one half before the appropriation will be effective, the Joint Chiefs of Staff develop overall strategic concepts and force levels. These are submitted to the Secretary of Defense who promulgates his guidelines for the budget preparation and directs the military services to prepare estimates.

2. December 15: The Secretary of the Navy directs the Chief of Naval Operations to prepare the annual program objectives.

3. January 15: The Chief of Naval Operations transmits the Navy's program objectives to the Secretary of the Navy.

4. January 25: SECNAV completes review of program objectives and returns approved or revised program objectives to CNO.

5. February 1: CNO promulgates the approved program objectives to the technical bureaus and offices and to NAVCOMPT who issues a call for estimates.

6. February through June: The technical bureaus and offices prepare and submit their estimates (having already received the required information from their field stations) to NAVCOMPT.

7. July 2 to July 9: NAVCOMPT reviews estimates and prepares summary budget for submission to SECNAV about July 10.

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[10] SECNAV Instruction 7110.3 of 16 March 1956 with Change No. 1 of 9 October 1957. See Appendix H.

8. July 10 to September 3: NAVCOMPT conducts hearings with technical bureaus and offices and makes "mark-ups."

9. September 4 to September 17: NAVCOMPT reviews budget with CNO, the technical bureaus and offices, examines "mark-ups," and adjusts differences.

10. September 18: CNO reviews budget; about three days later SECNAV conducts review and receives reclama differences. CNO Advisory Board attends.

11. October 1: SECNAV transmits Navy budget to SECDEF.

12. October to December: Assistant Secretary of Defense (Comptroller) conducts hearing and eventually recommends budget to SECDEF. At these Defense Department hearings, BuBud represenatives are normally present.

13. December: SECDEF forwards budget to BuBud for incorporation into the President's Budget.

14. January: President's Budget is printed, entitled The Budget of the United States Government for the Fiscal Year Ending June 30, 19-- and presented to the Congress shortly after convening.

Subsequent action is as follows:

1. Congressional hearings start in March and continue for about three months.

2. Toward the end of June, after approval of their separate bills by (a) House and Senate sub-committees, (b) House and Senate Appropriation Committees, (c) Committees of the whole House and Senate, a Joint House-Senate Committee

meets to consider the separate bills.

3. This group is referred to as a conference committee. Its members, appointed from appropriation committees of both houses of Congress try to iron out differences in the two versions of the bill.

4. When the conferees have reached agreement they prepare a conference report on the action taken in reaching a compromise. The conference report must be approved by each house. Consequently, approval of the report is approval of the compromise bill worked out in joint committee.

5. After the bill has been passed by both chambers, either in its original or compromise form, it is enrolled on parchment paper and signed by the Speaker of the House, followed by the Vice President in his capacity as presiding officer of the Senate.

6. The parchment document is then sent to the White House, where it becomes law when signed by the President around the first of July.

Brief

It is readily apparent from the foregoing discussion that the budget process includes more than just the steps involved in compiling the budget document. It also encompasses the procedure Congress follows in considering the budget, andthe steps by which the Congress and the President evaluate the performance and efficiency of operations. In the course of preparing and considering the budget, a vast amount of information that is not printed in the budget document is reviewed by the Bureau of the Budget, the Congress,

and the President. Improvements in Government expenditure procedures are instituted outside of the budget document and may be found in the process by which it was formulated, adapted, and implemented.

The budget cycle can be divided into three distinct phases. The following is only a very brief summarizing statement describing these phases.

Formulation Phase

The formulation phase includes the preparation of one year's requirements of an agency expressed in dollars. The development of this agency's budget is usually accomplished by the budget officer. When completed, it is submitted to the head of the agency for review and approval.

Adoption - Review - Enactment Phase

This phase begins with the delivery of the agency's budget to the Bureau of the Budget where it is reviewed, analyzed, revised, and eventually incorporated in the President's Budget. After it has been delivered to Congress, hearings are held, recommendations made, and appropriation legislation is enacted. This phase is completed with the signing of the Appropriation Act by the President.

Execution Phase

The execution phase covers the twelve month period of the fiscal year in which the appropriated funds are apportioned and obligated. This phase begins ideally on the first day of the fiscal period. In practice, however, sometimes as much as several weeks elapses between the

beginning of the fiscal year and the start of this phase. Such a situation is not desirable, nor does it lead to efficiency and economy of operations. In these cases the agencies find they are not able to commence new programs, or, what is worse, continue effectively their established programs until the appropriation legislation has been enacted and apportionment has been made by the Bureau of the Budget.

CHAPTER IV

FEDERAL BUDGET STATISTICS

Until the adoption of the Sixteenth Amendment of the Constitution--providing for the levying of income taxes--in 1913, Government revenues were derived from duties, imposts, and excise taxes.[1] The Sixteenth Amendment provides:

> The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration.[2]

Today, 52% of the Federal budget dollar comes from individual Federal Income Taxes. An analysis of this budget dollar for fiscal year 1959 discloses the following information:

Revenues (Where will it come from?)

52% Individual Income Taxes

27% Corporation Income Taxes

13% Excise Taxes

8% Customs and other receipts

Expenditures (Where will it be spent?)

64% Protection - National and International Security

22% Civil Benefits

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[1] Article I, Section 8, Constitution of the United States, September 17, 1787: "The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States . . . "

[2] Amendment 16 (Adopted February 25, 1913) to the Constitution of the United States.

11% Interest

3% Other Expenditures

Details of Revenues and Expenditures (Fiscal Year 1957)

The table which follows presents a detailed breakdown of revenues and expenditures similar to that which has appeared in annual budget documents for the past ten years.[3]

Military Budgets

The President's Budget for fiscal year 1959 was submitted to the Congress on 13 January 1958. For the Department of Defense, $39.8 billion was requested compared with $38.4 billion in fiscal year 1957, and $38.9 billion in fiscal year 1958. Authority was requested to shift up to $2 billion of funds within the military departments. This probably will not be granted inasmuch as the Congress is very jealous of its prerogative to appropriate funds for specific purposes. It represents a form of Legislative control over the Executive branch of the Government. The Defense budget calls for heavier emphasis on longer range ballistic missiles, missile firing submarines, continental defense and missile detection systems, anti-missile missile programs, Strategic Air Command, and expanded research and development work on satellites.

A. Periods of Military Budgeting

Peacetime military expenditures until 1939 had not exceeded $1 billion, and between 1922 and 1940 never exceeded

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[3] The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1957 (Washington, D.C.: U.S. Government Printing Office, 1956), p. 1086.

FEDERAL GOVERNMENT RECEIPTS FROM AND PAYMENTS TO THE PUBLIC (in millions)

	1955 Actual	1956 Estimate	1957 Estimate
Federal Receipts from the Public:			
Individual income taxes	$31,650	$33,555	$35,110
Corporation income taxes	18,265	20,300	20,300
Excise taxes	9,211	9,894	9,887
Employment taxes	6,220	7,420	7,585
Estate and gift taxes	936	1,035	1,120
Customs	606	690	700
Deposits by States, unemployment insurance	1,146	1,300	1,250
Veterans life insurance premiums	441	434	446
Other budget and trust receipts	2,839	2,700	2,936
Refund of receipts (-)	-3,477	-3,855	-3,980
Total Federal receipts from the public:	$67,836	$73,473	$75,354
Federal Payments to the Public:			
Major National Security	40,796	39,590	40,540
Veteran's services and benefits	5,057	5,325	5,455
International affairs and finance	2,005	1,902	2,035
Labor and welfare	9,868	10,652	11,879
Agriculture and agricultural resources	4,435	3,244	3,285
Natural resources	1,097	1,069	1,059
Commerce and housing	1,552	2,541	2,146
General government	1,399	1,635	1,609
Interest on public debt	4,664	5,212	5,373
Deposit funds (net)	57	235	- 139
Reserve for contingencies		100	225
Deductions (-) from Federal employees' salaries for retirement funds	-439	-559	-554
Increase (-) or decrease (+) in clearing account for outstanding checks, etc.	55	10	-24
Total Fed. payments to the public	$70,546	$71,049	$72,926

FEDERAL GOVERNMENT RECEIPTS FROM AND PAYMENTS TO THE PUBLIC (in millions)
(continued)

	1955 Actual	1956 Estimate	1957 Estimate
Excess of Federal receipts from the public	-	$2,424	$2,434
Excess of Federal payments to the public	-2,712	-	-

BUDGET TRENDS - 1953 TO 1959
(Fiscal years, in billions of dollars)

Year	Receipts	Expenditures	Surplus	Deficit
1953	$65	$74		$9.0
1954	65	67.5		2.5
1955	60.4	64.6		4.2
1956	68.1	66.5	$1.6	
1957	71.0	69.4	1.6	
1958 (est.)	72.4	72.8		0.4
1959 (est.)	74.4	73.9	0.5	

20% of total national expenditures. In contrast, our expenditures for military purposes are now running annually some 60% of the total national expenditures; more than four times the total national expenditures in 1939.

Period	Illustrative Year	Annual Military Expenditure	Proportion of: National Expenditure	Gross National Product
1933-39	1939	$1 billion	12%	1%
1940-45	1944	84 billion	88%	41%
1946-50	1948	11 billion	33%	6%
1951-57	1952	40 billion	60%	14%

The following table illustrates Government purchases of goods and services for National Security.

Year	Gov't. Purchases (billions)	Gross National Product (billions)	Proportion of Purchases for National Security (as % of G.N.P.)
1939	$1.2	$91.3	1%
1944	87.5	213.7	41%
1946	18.5	211.1	9%
1948	15.5	259.0	6%
1950	16.3	284.2	6%
1952	48.9	345.1	14%[4]

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[4] Frederick C. Moser, Program Budgeting (Chicago: Public Administration Service, 1954).

B. Current Military Budgeting - (Fiscal Year 1957)

Budget expenditures for major national security programs in fiscal year 1957 were estimated at $40.4 billion, an increase of $903 million over the 1956 estimate. This statistic includes Atomic Energy Commission, Stockpiling, and the military phases of the Mutual Security Program. For the Department of Defense portion estimated new obligational authority requirements were estimated at $34.9 billion, and estimated expenditures $35.5 billion. Breakdown by departments and appropriations is given below.

BUDGET AUTHORIZATIONS AND EXPENDITURES

Organizational Unit	New Authorizations 1957 Estimate	Expenditures *1957 Estimate
Office of Secretary of Defense	$14,950,000	$14,450,000
Interservice Activities	607,375,000	650,550,000
Department of the Army	7,731,425,000	8,582,000,000
Department of the Navy	10,005,800,000	9,565,000,000
Department of the Air Force	15,430,000,000	16,535,000,000
	$33,789,550,000	$35,347,000,000
Proposed for later transmission:		
Public Works and other military programs	1,902,450,000	
Deduct amount to be financed by transfers from other accounts	785,000,000	200,000,000
Net proposed for later transmission	1,117,450,000	
Total New Obligational Authority and Net Budget Expenditures	34,907,000,000	35,547,000

*From prior year and new authorizations

PRESIDENT'S BUDGET RECOMMENDED TO CONGRESS

Appropriation Title	New Authorizations 1957 Estimate	Expenditures *1957 Estimate
Department of the Army:		
Military personnel	$3,561,000,000	$3,500,000,000
Maintenance and operations	3,161,000,000	3,029,540,000
Military construction, Army Reserve Forces	40,000,000	35,000,000
Reserve personnel	223,000,000	200,000,000
Army National Guard	306,000,000	295,000,000
Research and development	410,000,000	370,000,000
National Board for Promotion of Rifle Practice	425,000	400,000
Alaska Communication System, O. & M.	5,000,000	6,500,000
Alaska Communication System, Construction		60,000
Military construction		380,000,000
Miscellaneous:		
Preparation for sale or salvage of military property	25,000,000	22,400,000
Procurement and production		1,300,000,000
Total, Department of the Army	$7,731,425,000	9,139,900,000

*From prior year and new authorizations

PRESIDENT'S BUDGET RECOMMENDED TO CONGRESS
(continued)

Appropriation Title	New Authorizations 1957 Estimate	Expenditures 1957 Estimate
Department of the Navy:		
Military personnel, Navy	2,469,400,000	2,420,000,000
Reserve personnel, Navy	95,000,000	90,000,000
Navy personnel, general expenses	83,580,000	80,000,000
Military personnel, Marine Corps	647,500,000	615,000,000
Reserve personnel, Marine Corps	26,000,000	20,000,000
Marine Corps Procurement	179,000,000	300,000,000
Marine Corps troops and facilities	175,020,000	155,000,000
Aircraft and related procurement	1,737,900,000	1,800,000,000
Aircraft and facilities	813,400,000	760,000,000
Shipbuilding and conversion	1,429,000,000	1,010,000,000
Ships and facilities	780,040,000	720,000,000
Construction of ships		32,000,000
Procurement of ordnance and ammunition	299,000,000	206,000,000
Ordnance and facilities	166,680,000	165,400,000
Ordnance for new construction		8,000,000
Medical Care	61,340,000	60,000,000
Civil engineering	130,000,000	120,000,000
Military construction, Naval Reserve Forces	17,000,000	21,000,000
Research and development	477,000,000	450,000,000
Service-wide supply and finance	209,720,000	290,000,000

PRESIDENT'S BUDGET RECOMMENDED TO CONGRESS
(continued)

Appropriation Title	New Authorizations 1957 Estimate	Expenditures 1957 Estimate
Service-wide operations	$102,500,000	$95,000,000
Naval petroleum reserves	1,212,000	2,500,000
Military construction		330,000,000
Miscellaneous:		
Preparation for sale or salvage of military property	16,500,000	13,500,000
Total, Department of the Navy	$9,998,500,000	$9,763,400,000
Department of the Air Force:		
Aircraft and related procurement	$5,800,000,000	$6,107,000,000
Procurement other than aircraft	1,177,000,000	1,000,000,000
Research and development	610,000,000	610,000,000
Operation and maintenance	3,786,000,000	3,800,000,000
Military personnel	3,727,000,000	3,700,000,000
Reserve personnel	59,300,000	58,000,000
Air National Guard	258,700,000	210,000,000
Military construction		1,050,000,000
Miscellaneous:		
Contingencies		1,000,000
Preparation for sale or salvage of military property	12,000,000	9,000,000
Total, Dept. of the Air Force	$15,430,000,000	$16,545,000,000

Military Appropriations

Public Law 639 - 84th Congress, 2nd Session, approved July 2, 1956 is theDepartment of Defense Appropriation Act for fiscal year 1957.[5] The law is summarized below for comparison with the funds requested in the President's Budget.

> "AN ACT
> Making appropriations for the Department of Defense for the fiscal year ending June 30, 1957, and for other purposes . . . ."

Organizational Unit	Requested by Budget	Authorized by P.L. 639
Office of Secretary of Defense	$14,950,000	$14,950,000
Interservice Activities	657,375,000	643,875,000
Department of the Army	7,761,425,000	7,539,333,000
Department of the Navy	10,047,600,000	9,999,497,000
Department of the Air Force	15,666,500,000	16,459,125,000
Total	$34,147,850,000	$34,656,780,000*

*An increase of $508,930,000 over the President's budget requests and amendments.

In addition to Public Law 639, and other Appropriation Acts, there were supplemental, additional, and deficiency appropriations for fiscal year 1957 as follows:

Public Law 814 - 84th Congress, 2nd Session, approved July 27, 1956:

> Making supplemental appropriations for the fiscal year ending June 30, 1957, and for other purposes.
> . . . "Supplemental Appropriation Act, 1957" . . .
> Department of Defense; $1,935,950,000 . . . .

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[5] See Appendix K.

Public Law 855 - 84th Congress, 2nd Session, approved July 31, 1956:

> Making supplemental appropriations for the fiscal year ending June 30, 1957, and for other purposes . . . . "Second Supplemental Appropriation Act, 1957" . . . Department of Defense; $2,520,000 . . . .

Public Law 85 - 15, approved April 14, 1957:

> Making appropriations for the fiscal year ending June 30, 1957, and for other purposes . . . "Second Urgent Deficiency Appropriation Act, 1957" . . . (none for Department of Defense).

Public Law 85 - 19, approved April 20, 1957:

> Making additional appropriations for the fiscal year 1957, and for other purposes . . . (none for Department of Defense).

Public Law 85 - 58, approved June 21, 1957:

> Making supplemental appropriations for the fiscal year ending June 30, 1957, and for other purposes . . . "Third Supplemental Appropriation Act, 1957" . . . Department of Defense, $75,779,000 . . .

The President's Budget Message

In his Budget Message to the Congress for fiscal year 1957, delivered on January 16, 1956, President Eisenhower related the following information concerning the Department of Defense:

> Department of Defense.--During the past three years our defense program has been successfully reoriented to reflect the changing nature of the threat to our security, the revised requirements brought about by the end of the Korean conflict, and the increasing availability of new weapons of unprecedented strategic and tactical importance.
>
> This orientation has been accomplished by developing our defense program on the basis of the following policies and concepts:
>
> 1. Gearing our defense preparations to a long period of uncertainty instead of to a succession of arbitrarily assumed dates of maximum danger.
> 2. Maintaining the capability to deter a potential aggressor from attack and to blunt that attack if it

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> 1. Gearing our defense preparations to a long period of uncertainty instead of to a succession of arbitrarily assumed dates of maximum danger.
>
> 2. Maintaining the capability to deter a potential aggressor from attack and to blunt that attack if it

comes--by a combination of immediate retaliatory power and a continental defense system of steadily increasing effectiveness.

3. Developing military forces which minimize numbers of men by making maximum use of science and technology.

4. Relating the number and degree of readiness of major units in the active forces to the practical limitations on the rapid deployment of major military forces from the United States immediately upon the outbreak of aggression, and relying, for the remainder, on ready reserve forces.

5. Utilizing military personnel on active duty with maximum effectiveness so as to hold to a minimum the number of men withdrawn from work in the civilian economy.

6. Concentrating our efforts on those forces which best complement the forces our allies are most capable of raising and supporting.

7. Maintaining a strong and expanding peacetime industrial structure, readily convertible to the tasks of defense and war.

The readjustment of our military forces in line with these principles is providing this Nation with the greatest military power in its peacetime history. My recommendations for the fiscal year 1957 continue the same basic policies and concepts.

This budget provides funds for an average of 2,815,700 military personnel on active duty during the fiscal year 1957. Total military personnel on active duty will increase to 2,838,400 at the end of fiscal year 1957 from the number of 2,814,100 estimated to be on active duty at the end of the current fiscal year. In order to permit flexibility in planning and operations, a military personnel ceiling has been authorised for the fiscal year 1957, totaling 2,906,000, excluding Army cadets, Navy aviation cadets, and midshipmen. However, no increase will be made above the military personnel levels provided for in this budget except upon detailed justification to, and approval by the Secretary of Defense.

During the fiscal year 1957 there will be significant increases in certain combat elements, particularly units employing new weapons and units assigned to continental defense. These increases, together with the continued modernization of the weapons and equipment, will further enhance the combat power and effectiveness of our forces.

My recommendations for the military functions of the Department of Defense for the fiscal year 1957 will require congressional authorizations amounting in total to 35.7 billion dollars. Of this amount, it is proposed that 785 million dollars be provided by transfer of existing authority from revolving funds. Thus, the new authority proposed for 1957 is 34.9 billion dollars, which is 1.8 billion dollars more than the amount voted by the Congress for the current fiscal year. Expenditures

are expected to total 35.5 billion dollars, compared with a present estimate of 34.6 billion dollars for the current fiscal year.

The increases in new authority to incur obligations and in expenditures in the fiscal year 1957 reflect, in large part, the cost of keeping our forces modern.

Continued improvements in technology and weapons can be expected and they will tend to increase costs unless offsetting savings can be found. Replacement, maintenance, and operations will require a high level of expenditures in the fiscal year 1957 and for years to come. Therefore, the management of our military programs must have continuing study and scrutiny. Constant efforts must be made to plan carefully in advance, to increase efficiency, and to reduce costs and expenditures.

Military personnel costs for the active forces, which include pay, allowances, subsistence, clothing, and related items, will be the same in the fiscal year 1957 as in 1956.

Retention of trained and experienced personnel is one of the most difficult problems confronting the armed services today. Every reasonable measure must be taken to increase the attractiveness of a service career. Therefore, I am again recommending legislation to provide added incentives for the members of our Armed Forces. My principal proposals are for the uniform provision of medical care for dependents, adequate and equitable benefits for survivors, improved career inducements for medical personnel, and reasonable rentals for those occupying substandard Government quarters. This budget also provides for a proposed increase in the proportion of career officers to total officer personnel.

The cost of operation and maintenance will rise in the fiscal year 1957, notwithstanding a decrease in the number of civilian personnel. Major reasons for the higher costs are (1) the greater number of air bases, radar sites, and other installations which must be supported in the coming fiscal year, (2) the sizable increase in the numbers of weapons and amount of equipment which must be operated and maintained, and (3) the growing complexity of new weapons and equipment.

Major procurement and production expenditures in the fiscal year 1957 will be about the same as in the current fiscal year. However, there will be a shift in emphasis within this total in line with the policy of modernizing our forces.

Approximately 6.8 billion dollars is estimated for procurement of aircraft, chiefly for the Air Force and the Navy. The accelerated production programs for the B-52 long-range jet bomber and the F-101 and F-104 supersonic interceptors will be continued in the fiscal year 1957. In addition, there will be substantial procurement of the Navy's new supersonic F-8U fighter.

Expenditures for the procurement of guided missiles will be the highest in our history, increasing by more than one-third over 1956 and about double the amount spent for this purpose during 1955.

Expenditures for electronic and communications equipment will remain high during the fiscal year 1957, to meet the needs for continental defense and our combat forces. Expenditures for ammunition, combat vehicles, trucks, and other major equipment items, will continue to decline because our requirements have now been met in large part.

This budget provides for continuation of the Navy shipbuilding program at a slightly higher level than in the fiscal year 1956 in order to carry forward the modernization of the fleet, most of which was built during World War II. In addition to those already authorized by the Congress, there is included in the proposed shipbuilding program for 1957 the construction of a sixth carrier of the Forrestal class, additional nuclear-powered submarines, guided-missile destroyers and frigates, and an experimental nuclear-powered cruiser. Provision is also made for developing a practical nuclear powerplant for future installation in ships of the large carrier class. Conversion of ships now in the fleet will be undertaken to provide them with additional nuclear weapons and with guided missile capabilities, and to permit them to operate modern high-speed aircraft.

Military public works will continue slightly below the level of the current year. This budget provides for the construction in the fiscal year 1957 of facilities associated with the continental air defense system, including Nike sites; further additions to the aircraft warning systems, including the Distant Early Warning Line; guided missile facilities; and air bases for the Navy and Air Force.

Expenditures for our Reserve components in the fiscal year 1957 will be considerably greater than in 1956, reflecting an increase during the year of about 130,000 reservists in drill pay status and further expansion of facilities for the Reserve forces. The number of Reserve personnel engaged in regularly paid drills is expected to increase to 1.1 million by the end of 1957. In addition, this budget provides for 6 months' active duty training under the Reserve Forces Act of 1955 for about 80,000 Reserve forces personnel.

Research and development expenditures will be somewhat higher in the fiscal year 1957 than in the current year. Major emphasis will be placed on projects related to guided missiles, continental air defense, and to the application of nuclear energy for the propulsion of aircraft and ships. It is my belief that increased returns in military research and development can be obtained through a relatively stable program at approximately the present level which can utilize

effectively our scientific and technological resources. Military research and development now engages a substantial proportion of the scientists and engineers employed in research and development in the Nation. Care must be exercised in selecting the projects to be supported, and efforts must be concentrated on those of high priority.

Continued progress has been made during the past year in improving the management of the Department of Defense. The Secretary of Defense is giving careful study to the recommendations of the Commission on Organization of the Executive Branch of the Government and its task forces on defense activities. Some of these recommendations have already been put into effect; in certain other cases, they have been adopted in modified form, consistent with the objectives of the Commission report. Responsibility for supplying all food, which costs 1.2 billion dollars annually, has been placed under the Secretary of the Army. A single food-supply system for bulk procurement and storage will eliminate duplicate storage facilities and costly cross-hauling. The three military departments have also been directed to undertake joint planning and utilization of all the health and medical resources of the Department of Defense.

Financial management has been made more effective by increasing the scope of stock funds. These funds currently cover inventories of over [illegible].2 billion dollars, and their coverage will be expanded. Stock funds are used to buy supplies and equipment, and to control inventories centrally. Each of the services then meets its needs by purchasing from this central stock. This method makes possible a better distribution of supplies and equipment with a minimum inventory. It encourages cost consciousness throughout each of the services. As a result, in the last 3 fiscal years 2.9 billion dollars have been recovered from the stock funds as inventories were reduced. Further reductions in inventories this year will make available additional surplus capital of 725 million dollars in the Army, Navy, and Marine Corps stock funds. This surplus is applied in this budget to reduce the amount of new authority to incur obligations which would otherwise be required for the fiscal year 1957.

Industrial funds are being used to serve the same kind of businesslike purpose in commercial- and industrial-type installations. During the fiscal year 1957 industrial fund financing will be extended to additional activities in each of the services. This will greatly increase the volume of business, currently amounting to about 1.6 billion dollars, conducted under such funds.[6]

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[6] The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1957 (Washington, D.C.: U.S. Government Printing Office, 1956).

The President concluded his Budget Message with the statement:

> This nation has reached a new high of material prosperity. The rest of the free world has come to expect our leadership in cooperative efforts for peace and in defense of our common liberties. We should be very thankful for the resources of this country, for the efforts and accomplishments of our forebears. We should also be very humble. America must continue to be the land of faith, of promise, and of unbounded opportunity. There is much yet to do. With God's help, we will all go forward.[7]

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[7] *Ibid.*

CHAPTER V

FUNDING AND FINANCIAL CONTROL

Funding is best described as the granting of administrative authority, in a manner prescribed by law, to incur obligations and make expenditures under stated limitations of time and money, within appropriations made by the Congress. This chapter will discuss, in a general way, the funding process, and will describe the methods and procedures involved in transmitting funds to the Commanding Officers of naval activities. It commences with the signing of the Appropriation Act by the President. After the appropriation act has been approved by the President, and the appropriation warrant issued by the Treasury, other funding processes may commence. Apportionment covers the granting of the authority to the heads of the Executive agencies from the Bureau of the Budget to incur obligations. In some cases the authority to incur obligations does not extend to an annual basis. Quarterly rates of obligation may be prescribed by higher authority (as exercised by the Secretary of Defense over the military departments). Allocation covers the granting of the authority, within the terms of the apportionment, by the Executive agency (such as the military department) to a major command or operating agency. Allotment covers the granting of the authority, within the terms of allocation, by a major command or

operating agency to those charged with the responsibility for incurring obligations or making expenditures.

The Appropriation Act

Congress authorizes the Navy to use funds that are specified in the Appropriation Act for definite purposes. In effect, the President's Budget transmitted to Congress is a request for money to maintain the various Executive agencies or departments. Through the budget, Congress has been requested to pass a law which will (1) permit the agency to do certain things and (2) provide the funds which will permit the necessary action toward their accomplishment. Thus, it is significant to recognize that the appropriation act is more than a grant of money. It is a law which has many safety devices to protect the taxpayer's dollar and ensure its proper expenditure. There are several different types of appropriations included within the Appropriation Act. They are classified according to their purpose and the length of time over which the money can be used in carrying out approved programs

Thus the first step in the sequence of providing funds to the Commanding Officer is the approval of the Appropriation Act by the President. Money is made available by Congress through the Department of Defense to the Navy by appropriations or revolving funds. Appropriations may be:

1. One-year, or annual--generally used for current operations and maintenance, or short-range procurement programs. This money must be obligated (orders placed or contracts awarded) during the first fiscal year for which the

appropriation has been passed. Payment of bills under these orders or contracts entered into during this first year may be paid for during the succeeding two years;

(2) No-year, or continuing--provides funds for long-range programs such as shipbuilding, aircraft procurement and research and development. Such funds are available until the projects are completed.

It is of more than passing interest to note a very effective method used by the Congress in its "control" of governmental expenditures. In addition to the specific "language" of each Appropriation Act which prescribes the purposes for which the Appropriation may be spent, Congress also retains control over the use of funds through a series of "general provisions" that accompany each appropriation. These vary from year to year and cover a variety of subjects. An illustration of one general provision that applies to all annual appropriations (inasmuch as it was made a law by enactment of the particular Appropriation Act in which it was included) provides that at the end of ten months of the fiscal year any money in excess of 20 percent of the funds appropriated which have not yet been obligated will be impounded. This is why fourth quarter obligations are scrutinized so carefully. With proper planning obligations should be incurred before the fourth quarter, or prior to the final two months of that quarter.

Before proceeding into the various aspects of the funding process, it will be necessary to develop an understanding of the language. To this end, and to establish a

basic glossary of terms, definitions are presented in Appendix A.[1]

The Apportionment Process

After the Congress appropriates the fiscal year's funds for an agency, such as the Navy, it next becomes necessary to schedule--time and money-wise--the programs. Actually, the schedule has already been planned and established long before this time, but it was based on the desired, or recommended results which may differ significantly from the results obtainable under the Appropriation Act. The formal fiscal term used for this plan is the Apportionment Plan. The various bureaus and offices request apportionment of funds in the beginning of the fiscal year. The request is made through the Secretary of the Navy and the Secretary of Defense to the Bureau of the Budget who in the name of the President, approves the apportionment request. Until this request is approved by the Bureau of the Budget, monies appropriated by Congress cannot be used.

The Apportionment Plan consists of a determination of how much money will be available in each of the four quarters of the fiscal year within a particular appropriation. This division of an annual plan into four parts represents basically a control or limitation to prevent over-obligation of funds. This is to prevent using up appropriated funds too fast. Actually, as currently in use, the review of an

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[1] Research Report of the 1958 Class, Navy Graduate Comptrollership Program, George Washington University, Financial Management in the Shore Establishment.

agency's annual program through the apportionment process has in fact become a complete second budgetary service to insure for higher authority that the plan still exists, and that the timing of proposed actions are consistent with the current overall defense program needs. Instructions are issued to the bureaus concerning the preparation and submission of requests for apportionments.[2] These instructions specify the types of appropriations and funds that are not subject to the apportionment procedures. The Navy Comptroller Manual states:

> Apportionments are binding . . . no agency shall authorize expenditures or involve the Government in any contract . . . in excess of the amount currently available therefor under the . . . apportionments. Allotments . . . project orders will be integrated with and controlled by the apportionments.[3]

Allocation

After funds have been appropriated, and apportionment plans have been approved, the next important fiscal procedure that we encounter is allocation. An allocation of funds represents the assignment of funds, within an agency to a particular program. By this action, funds are put into many accounts in the agency's accounting records. Thus the allocations become bank accounts set up for the financing of approved programs. The Secretary of the Navy delegates to the bureaus and offices of the Navy Department the

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[2] Bureau of the Budget Circular No. A-34, "Instructions Relating to Apportionments and Reports on Budget Status."

[3] Department of the Navy, Navy Comptroller Manual, Article 023004.1.c.

authority to make immediate changes in budget activity allocations within prescribed allowances.

After the funds have been appropriated, each bureau and office makes an initial interpretation of the intent of Congress for the appropriations under its cognizance. These activities then prepare a request recommending that the Comptroller of the Navy allocate stated amounts of the funds to specified budget activities and subheads of the appropriation in question. Allocation forms and apportionment requests are prepared at the same time and forwarded to the Comptroller of the Navy who clears allocations with the Chief of Naval Operations and Secretary of the Navy as required. When approved, budget activity allocations become the media for the accounting process in the official records of the bureaus and offices.

Obligation and Expenditure Authorizations

Authorizations to incur obligations and make expenditures against an appropriation are normally granted to the various administrative levels as follows: From the Bureau of the Budget, through the Secretary of Defense, to the Secretary of the Navy; from the Secretary of the Navy, represented by the Comptroller, to the chief of the bureau or office to which an appropriation is assigned for administration; from the chief of the bureau or office, through his authorized representatives, to various commands, ships, and activities, or to functions operating under the control of the bureau; and from the various commands and activities to subordinate commands or to other activities as necessary.

For the purpose of administrative control, each appropriation or fund is assigned either wholly to one bureau or office of the Navy Department, or in parts to two or more bureaus and offices. The various bureaus and offices are responsible for controlling obligations and expenditures within the appropriations under their administration. Each determines the funds to be granted to subordinate and other activities and issues authorizations to incur obligations and make expenditures in the amounts granted. No obligations or expenditures may exceed the approved amounts.[4]

The following paragraphs define the types of authorizations used for incurring obligations and making expenditures:

Allotments are authorizations issued by the head of a bureau or office to incur obligations within specified amounts pursuant to an appropriation. An allotment of funds from a particular appropriation or fund is the most common type of authorization granted by bureaus and offices. The granting of an allotment reduces the available balance of the appropriation but does not constitute an obligation. The allotment holder may sub-allot to units of the command--may create obligations or incur expenditures against the appropriation within its authorized purposes--or may sub-allot to other commands or activities. Allotments are issued for general purposes such as maintenance, and for repetitive

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[4] Section 3679, Revised Statutes, specifies that heads of agencies are to prescribe systems of administrative control designed to restrict obligations or expenditures to the amount of the apportionment, and to enable the agency head to fix responsibility for creation of any obligation or expenditure in excess of the apportionment.

operations. Funds authorized by allotment are available for use only during the availability for obligation period of the financing appropriation. Therefore, funds issued by an allotment under an annual appropriation are available for obligation only during the year of the life of the appropriation.

Project Orders are specific definite orders placed with government-owned establishments for the manufacture of materials, supplies, and equipment, or for other work and services. In contrast to allotments, project orders serve to obligate appropriations in the same manner as orders or contracts placed with industry. A project order is recorded in the accounts as an obligation after it is accepted in writing by the performing activity. Except as limited by the completion date in the project order, funds authorized by the means are available for use for the life of the financing appropriation. A project order may not be divided among subordinate offices, but the holder of the project order may request other activities to perform work chargeable against the project order.

Bureau procurement document is an authorization to incur an obligation by the execution of a procurement contract. Such a document issued or approved by a bureau establishes a commitment. A commitment is subject to cancellation by the approving authority to the extent it is not already obligated.

Inter-bureau Citation of Funds is used by a bureau to grant obligating authority to another bureau for the procurement of materials and services. Its use applies only to

bureau held funds or to an inter-bureau allotment. It is not issued to field activities. Within the amount cited, the procuring bureau takes actions to accomplish the request without further reference to the authorizing bureau.

Working Capital and Revolving Funds

Revolving funds are funds established pursuant to authority of specific provisions of law to finance a continuing cycle of operations, with receipts derived therefrom available for use by the fund within the limitations established through the budgeting and apportionment procedures, and subject to laws and regulations governing certain miscellaneous types of receipts. Types of revolving funds are management funds, stock funds, and industrial funds. Stock funds and industrial funds are further classified as working capital funds.[5]

Funding in the case of working capital funds, while somewhat different than under appropriations, is similar in including authorization of obligational and expenditure authority and their limitations. Funding is provided by (1) capitalization of inventories, (2) allocation of cash balances, in the Treasury, and (3) anticipation of reimbursements under specific orders for supplies or services.

Industrial Funds are revolving funds established for the purpose of providing working capital for the operation of industrial type activities. The Department of the Navy has

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[5] See Appendix I; National Security Act Amendments of 1949, Title IV; Public Law 216, 81st Congress, 1st Session.

been extending its industrial fund program to selected activities where the use of a capital fund is considered appropriate. This program is designed to provide working capital for industrial type activities in order to control and account more effectively for the cost of programs and work performed. On 1 April 1956, forty-one naval activities of the industrial or commercial type had been converted to working capital funds financing and accrual-type accounting. Accrual accounting is practiced by industry and it is defined as accounting wherein revenues are accounted for when earned, even though not collected, and operating costs are accounted for in the fiscal period during which benefits are received. Among the activities converted are all naval shipyards; the Military Sea Transportation Service; the Naval Research Laboratory; naval ordnance plants; the Naval Powder Factory; the Naval Ordnance Laboratory Corona; and the Naval Gun Factory.

Stock Funds. The Department of the Navy has been using a revolving stock fund to finance common usage items on an issue basis since 1893. The fund operates as follows: Through the use of permanently appropriated capital, common items of supply are purchased and distributed through established channels of supply. Upon withdrawal of these items from inventory for use, the appropriations granted for "user" function are charged, and the capital of the stock fund is reimbursed. This generates funds for procuring additional material to be placed in inventory for another cycle of distribution and withdrawal.

The principles followed in the operation of stock funds is similar to commercial merchandising enterprises, except there are no sales promotions and no profits. Operations are conducted on a "break-even" basis.

Navy Management Fund is a fund established by Act of Congress which is financed by advances from two or more Department of Defense appropriations and established for the purpose of facilitating the economic and efficient conduct of operations in the Department of Defense in cases where costs of the operations are not susceptible of immediate distribution to such appropriations.[6] It is established on an annual basis within the General Fund of the Treasury. This is the fund into which all receipts of the U.S. Government not otherwise designated are deposited. Appropriations from the General Fund are made by Congress to carry on the general and ordinary operations of the government. The Navy Management fund is used to finance and account for the procurement of services, equipment and supply of a nature not suitable for procurement by the Navy Stock Fund. Its use is limited to programs which cannot be financed readily by an individual appropriation, or by joint action under more than one appropriation. Examples are: inspection of naval material, departmental administrative services, incentive awards, and Spanish base construction.

Funding Principles

Based on the foregoing administrative and legislative

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[6] Ibid.

network of control, the administrator of funds has the following principles to guide him in the use of appropriated funds:[7]

1. Obligations can be made only in accordance with law. This means primarily for the objects and functions prescribed in appropriations, and funded by allocations.

2. Obligations must not exceed the quarterly or annual apportionment and allocations.

3. Expenditures must not exceed the quarterly or annual apportionment and allocations.

4. Any and every case of over-obligation and/or over-expenditure must be reported in accordance with prescribed procedures.

5. Changes in budget activity amounts must not exceed 5% or $5 million, whichever is less, without approval by the Comptroller of the Navy.

6. No more than 20% of an annual appropriation can be obligated in the last two months of the fiscal year for which appropriated. Likewise, apportionments, allocations, and allotments funded by an annual appropriation are subject to the 20% limitation.

7. An obligation is not valid unless it is in written contract form, signed by both parties prior to the expiration of the period of availability for obligational purposes.

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[7] Research Report of the 1958 Class, Navy Graduate Comptrollership Program, George Washington University, Financial Management in the Shore Establishment, p. 29.

Within this framework of general principles the fund administrator will find himself operating. The many unusual and unforeseen developments that are normal to the operation of a military department are likely to create additional problems. These problems will be alleviated through an increased knowledge of the funding system. It should be borne in mind that the entire funding and budgetary system is aimed at one objective--economy and efficiency in government operations.

CHAPTER VI

COMPTROLLERSHIP--FUNCTIONS, AUTHORITY, AND ORGANIZATION

Although various phases of the comptrollership function have been performed in the military services for a number of years, the use of comptroller organizations is relatively new, the concept having originated in 1949. The basic legal framework for the comptroller organizations and functions in the Department of Defense is contained in the National Security Act Amendments of 1949.[1] The provisions of this law will be discussed later.

Comptrollership is that function of the total management job which deals with the financial areas of an organization. It is concerned with analyses, forecasts, records, reports and procedures that have a bearing on the organization's financial status in relation to its mission or goal.[2] The concept of comptrollership in all elements of the Department of Defense has been patterned after its counterpart in business. There are some differences of opinion within the military establishment as to whether certain functions such as management engineering should be assigned to the

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[1] Public Law 216, 81st Congress, 2nd Session, National Security Act Amendments of 1949, approved August 10, 1949.

[2] NAVPERS 10792, Financial Management in the Navy (Bureau of Naval Personnel, 1956), p. 13.

comptroller. The functions of budgeting, accounting, reporting, and auditing are common to each comptroller organization at the military departmental level within the Department of Defense.

Functions and Elements

It would be beneficial at this time to review the classical definition of comptrollership as spelled out by the Controllers Institute of America. This concept of controllership (comptrollership) was developed by the Controllers Institute and promulgated on September 25, 194), as follows (underscoring by author):

1. To establish, coordinate, and maintain, through authorized management, an integrated plan for the control of operations;

2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management;

3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organizational structure and procedures in attaining those objectives;

4. To report to government agencies, as required, and to supervise all matters relating to taxes;

5. To interpret and report on the effect of external influences on the attainment of the objectives of the business;

6. To provide protection for the assets of the business.[3]

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[3] James L. Pierce, "The Comptrollership Function--A Modern Concept," The Controller, September, 1952, p. 419.

While the Congress and the Secretary of Defense have not set forth a full philosophy of the objective of comptrollership in the Department of Defense, actual practice in the military departments as well as the concept of comptrollership in industry permits setting forth the following as a minimum concept of the primary mission of a comptroller in the military establishment:

1. To provide other management executives with financial and statistical data, and analyses thereof, as an instrument for their use in appraising policies, plans, requirements and performances, and for their use in making decisions and taking corrective action when required;

2. To aid other management executives in planning by translating policies, plans, and programs into the estimated financial implications; and to supervise the handling of financial transactions undertaken;

3. To render an accounting on financial and related matters, including analysis, as required, in behalf of his department or subordinate units, to higher authority through the chain of command, whether to higher echelons within the Department of Defense or to the President and to the Congress, or their authorized representatives, including the Bureau of the Budget and the General Accounting Office;

4. To supervise the compilation of budgets, and their presentation and justification to higher authority through the chain of command.[4]

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[4] Smithies, op. cit., p. 89.

Basically, the major elements of comptrollership in the Department of Defense are quite similar to those found under the similar function in private industry. These are:

1. Budgeting and funding--the review and translation of programs into financial terms and the providing of funds for their execution;

2. Accounting--the classification, recording, and reporting of financial data;

3. Finance or disbursing function--the collection and payment of funds;

4. Progress reporting and statistics--the collection and interpretation of data for command and management purposes; and

5. Auditing--the review and follow-up on performance and the analysis of problem areas, with a view toward providing command and management with appropriate recommendations for improvement and correction.

Relationship

It was stated earlier that comptrollership is a management function in that it is part of the total management job. It is not a line function; comptrollership is a staff function that serves line management in the area of financial management. It is the line official who is ultimately responsible for his organization, therefore it is stressed that the comptroller makes no action decisions for the organization as a whole. He may recommend action, but only the line official decides what action will be taken.

The comptroller concept in all elements of the Department of Defense in no way envisages usurption of command or management prerogatives. It is designed to free top management and command from details such as information collection and analysis and, thereby, give them more time to spend in the area of true management, or command. While the comptroller does not make operating decisions, such decisions are, however, accelerated and improved by the Comptroller's provision of factual information presented in a complete, concise and objective form which permits quick assimilation and understanding.

Authority and Organizational Position

The basic charter governing the organization for comptrollership in the Department of Defense is Title IV of the National Security Act Amendments of 1949.[5] This portion of the Act is entitled "Promotion of Economy and Efficiency through Establishment of Uniform Budgetary Procedures and Organizations" (in the Department of Defense).

The Act gave the statutory authority to the comptroller concept in the Department of Defense. It established a comptroller's position in the Office of the Secretary of Defense and a similar comptroller position in each of the military departments.

Section 401 relates to the comptroller position in the Office of the Secretary of Defense and covers the entire

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[5] Public Law 216, 81st Congress, 2nd Session, *National Security Act Amendments of 1949*, approved August 10, 1949.

area of fiscal management, including organizational and administrative matters relating thereto. It also requires the development of a common integrated fiscal management administration throughout the Department of Defense, including the operations within the three military departments.[6]

Section 402 of the Act established comptroller and deputy comptroller positions in each of the military departments. The financial management role of the comptrollers was emphasized in this Section by specifying that the budgeting, accounting, progress and statistical reporting, internal audit, administrative organizational structure and managerial procedures relating thereto should be organized and conducted in the military departments in a manner consistent with the operations of the comptroller's office in the Office of the Secretary of Defense.[7]

Subsequent Authority

On September 27, 1950, the Secretary of Defense issued a memorandum entitled "Comptroller Functions and Organization," in which he directed the Secretary of each military department to make his Under Secretary or an Assistant Secretary responsible for financial management.[8]

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[6] Public Law 216, 81st Congress, 1st Session, approved August 10, 1949, Title IV of the National Security Act Amendments of 1949. See Appendix I.

[7] Ibid.

[8] George C. Marshall, "Comptroller Functions and Organization." A memorandum for the Secretaries of the Army, Navy, and Air Force, September 27, 1950.

The memorandum states, in part:

> In order that the budget and fiscal administration authorized by Title IV may be implemented uniformly and in a manner consistent with the Comptroller activities of the Secretary of Defense, the Assistant Secretary (Comptroller) of the Department of Defense and the Department Under Secretaries or Assistant Secretaries responsible for fiscal management in the military departments, subject to the authority of their respective Secretaries, will exercise general supervision over all functions performed by the Comptrollers of their respective Departments, including the following:
>
> Implementation of legislative requirements concerning performance budgeting, working capital funds, and management funds;
>
> Preparation of budget estimates;
>
> Budget administration, including apportionments, allocations, and allotments, all within priorities established by the Secretary;
>
> Appropriation and fund accounting;
>
> Disbursing and receiving cash;
>
> Administration of advances and other credits relative to procurement contracts, but the power of decision on advances and other credits and the terms thereof may be reserved to the Under Secretary or Assistant Secretary responsible for procurement;
>
> Cost accounting;
>
> Accounting for all property, whether of an operating or capital nature, both in terms of physical quantities and in dollars;
>
> Auditing, including auditing of procurement contracts and advice to procurement authorities on accounting aspects of procurement, pricing policies and procedures;
>
> Financial reporting;
>
> Statistical and progress reporting, including analysis and interpretation of reports;
>
> Formulation and promulgation of policies and procedures applicable to comptroller functions and organization.[9]

In addition to the foregoing statutory authority and Defense Department directive, the Congress in 1954 enacted Public Law 562 - "to provide for two additional Assistant Secretaries of the Army, Navy, and Air Force respectively." Section 2 of this law states:

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[9] *Ibid.*

> Two Assistant Secretaries of the Navy may be appointed in addition to the Assistant Secretary of the Navy authorized under Section 1 of the Act of July 11, 1890, and the Assistant Secretary of the Navy for Air authorized under the Act of June 24, 1926 . . . for a total of four Assistant Secretaries of the Navy. Each such additional Secretary shall perform such functions as assigned by the Secretary of the Navy. One of these shall be designated as Assistant Secretary of the Navy (Financial Management), and may also act as Comptroller of the Navy if so designated.10

Summary

Here we see the Comptroller organization in the Department of Defense and in the military departments as it exists today. While the Navy was the last military department to adopt the title of comptroller it was the first to integrate financial functions. Development of the comptrollership concept had been going on in the Department of the Navy since 1941 when the late James Forrestal first took steps to explore the possibility of filling this need. For the most part, the concept and functions had been exercised since 1944 by the Fiscal Director.[11] However, the Department of the Navy did not adopt the comptroller title until June 1, 1950 when the Assistant Secretary of the Navy for Air was designated Comptroller.[12] By and large, Title IV simply provided statutory authority for the existing

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[10] Public Law 562, 83rd Congress, 2nd Session, approved August 3, 1954.

[11] Secretary of the Navy directive. Subject: Office of the Fiscal Director. December 2, 1944.

[12] Secretary of the Navy. Letter to the Assistant Secretary of the Navy for Air. Subject: Designation as Comptroller. June 1, 1950.

organization, and changes were confined almost entirely to matters of uniformity and terminology.[13]

Title IV covers the following subjects:

1. Comptrollership organization and functions;
2. Bases for preparation and presentation of budgets;
3. Budgetary control;
4. Bases for budgetary and fund accounting;
5. Financial accounting for property;
6. Use of revolving funds for financing and management of inventories of material, and operations of industrial and commercial-type activities.

There is no inconsistency between this very comprehensive legislative authority and other more recent general legislation affecting the Government as a whole, such as the Budget and Accounting Procedures Act of 1950, and the supplemental additions thereto in Public Law 863.[14] The basic importance of Title IV in the Department of Defense was recognized by the Congress in enacting Public Law 863, and thus extending the provisions of Title IV, which had theretofore applied only to the Department of Defense, to the other Executive agencies.

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[13] Public Law 216, 81st Congress, 1st Session, approved August 10, 1949. Title IV of the National Security Act Amendments of 1949.

[14] Public Law 863, 84th Congress, 2nd Session. Approved August 1, 1956. Entitled "An Act to Improve Governmental Budgeting and Accounting Methods and Procedures, and for Other Purposes." Section 1 of this Act amends the Budget and Accounting Act of 1921; Section 2 amends the Budget and Accounting Procedures Act of 1950; Section 3 establishes procedures for the simplification of the system for subdividing funds.

The Senate Committee on Government Operations which considered the "Kennedy Bill," subsequently enacted as Public Law 863, in 1956 concluded that the Department of Defense had made considerable improvement in developing an effective financial management system. In its report on the bill, the Committee noted ". . . the substantial progress being made in the Department of Defense toward sound financial management of its huge resources . . . ."

CHAPTER VII

FINANCIAL MANAGEMENT IN THE DEPARTMENT OF DEFENSE

There seems to be a degree of uncertainty in some circles as to the differentiation between comptrollership and financial management. The author believes this is due to the perpetuation of the older concept of comptrollership wherein the comptroller is looked upon as either (1) the chief bookkeeper or accountant, or (2) the person employed to supervise expenditures. In industry we find different schools of thought exhibited as follows:

1. The Comptroller is the chief accountant for the corporation and reports to the Treasurer, or Vice President in charge of Finance;

2. The Comptroller is an officer of the corporation reporting to the President;

3. The Comptroller is the senior financial officer, a member of the Board of Directors, and reports to the Chairman of the Board of Directors.

In the Department of Defense the position of the Comptroller is made clear:

> The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required . . . including but not limited to . . .

> (1) supervise and direct the preparation of the budget estimates of the Department of Defense; and
> (2) establish, and supervise the execution of -
>   (A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to -
>   (i) the preparation and execution of the budgets,
>   (ii) fiscal, cost, operating, and capital property accounting,
>   (iii) progress and statistical reporting,
>   (iv) internal audit, and
>   (B) policies and procedures relating to the expenditures and collection of funds administered by the Department of Defense; . . . .[1]

In the Defense Department the Comptroller is the chief financial officer; comptrollership and financial management are synonymous.

We find, however, that leeway was permitted the military departments in their organizations. The law goes on to say:

> There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force . . . the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit . . . . The Secretaries of the military departments may appoint either civilian or military personnel as comptrollers . . . [who] shall be under the direction and supervision of, and directly responsible to, either the Secretary, the Under Secretary, or an Assistant Secretary of the respective military department.

The law also provides that where the departmental comptroller is not a civilian, the Secretary of the department concerned shall appoint a civilian as Deputy Comptroller.

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[1] National Security Act Amendments of 1949, Public Law 216, 81st Congress, 1st Session, Title IV, Section 401.

Subsequent legislation, to be discussed later, in 1954 established in each military department Assistant Secretaries for financial management who may also act as comptrollers if so designated.[2]

Organization - Military Departments

The Assistant Secretary of the Navy for Financial Management also acts as Comptroller of the Navy. He reports directly to the Under Secretary of the Navy. The Deputy Comptroller is a line officer with the rank of Rear Admiral.

The Comptroller of the Army is a Lieutenant General and reports concurrently to the Assistant Secretary of the Army for Financial Management, and to the Chief of Staff, U.S. Army. The Deputy Comptroller is a civilian at the GS-17 level. While the Comptroller of the Army is not designated as a Deputy Chief of Staff, he is on the same level of the hierarchy as the Deputy Chiefs of Staff for Military Operations, Personnel, and Logistics, and the Chief of Research and Development.

The Comptroller of the Air Force is also a military man. He is a Lieutenant General, and--similar to the Army organization--in the same echelon with the Deputy Chiefs of Staff for Personnel, Operations, Plans and Programs, Material, and Development. He reports concurrently to the Assistant Secretary of the Air Force for Financial Management, and to the Chief of Staff, U.S. Air Force. The Deputy Comptroller is a civilian at the GS-17 level.

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[2] Public Law 562, 83rd Congress, 2nd Session, approved August 5, 1954.

Office of the Comptroller of the Navy

The Office of the Comptroller of the Navy was established by the Secretary of the Navy on June 1, 1950, and absorbed the functions and responsibilities of both the Budget Officer and the Fiscal Director. The establishment of comptrollers at lower levels in the Navy Department proceeded more slowly and cautiously. It was not until November 18, 1953 that the Secretary of the Navy issued his policy relative to comptroller organizations within the Department and subordinate activities. This policy was permissive rather than mandatory in nature, stating:

> It is the policy of the Secretary of the Navy to establish comptroller organizations in all bureaus and offices, Navy Department, Headquarters, Marine Corps, and major activities of the Navy and Marine Corps . . . .
>
> The chiefs of bureaus and offices, Navy Department, the Commandant of the Marine Corps, and appropriate administrative commanding officers may within their discretion direct the establishment of a comptroller organization for an activity under their command or management control, or authorize the commanding officer to establish a comptroller organization on his own initiative . . . .[3]

Enclosure (1) to this directive sets forth the basic concept of comptrollership in the Navy in these terms:

> Basic Concept. Most of the comptroller functions are being performed in varying degrees in all Navy bureaus and field activities. The new elements introduced by the concept of comptrollership as it is practiced in the Department of the Navy are:
>
> 1. Emphasizing the constructive aspects of the reporting, analysis, and interpretation functions as distinct from the purely recording function.
>
> 2. Improving budget formulation and execution through the collection and utilization of accounting and program data at all organizational levels.
>
> 3. Coordinating and integrating the several comptroller functions to provide concisely to the commanding officer the basic data essential for

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[3] SECNAV INSTRUCTION 5400.4 of 18 November 1953, "Establishment of comptroller organizations in bureaus, headquarters, offices, and field activities of the Navy and Marine Corps." See Appendix B.

efficient, economical, and effective management.[4] The directive goes into considerable detail on the functions of comptrollership, organization and staffing, relationships and authority, and elaboration of duties. It states that the basic functions of comptrollership should be performed *by* or *for* every bureau, office, and field activity, regardless of whether or not a formal comptroller organization is established. Given as these basic functions are:

> 1. *Integrated system for financial management* - . . . a staff service that will provide to the commanding officer the factual data essential for effective management control of operations.
> [Underscored headings provided by author.]
> 2. *Budgeting* - . . . reviews resources requirements and justifications . . . compiles annual budget, . . . analyzes variances from the budget plan and recommends remedial action where appropriate; determines areas where financial re-programming may be effected . . . .
> 3. *Accounting and Disbursing* - . . . accounting for appropriations and funds . . . fiscal reporting, evaluation, and analysis . . . .
> 4. *Program analysis* - Measures and analyzes performance, program status and trends against the approved programs and budget plans and schedules . . . .
> 5. *Progress Reports and Statistics* - . . . prepares special statistics as required by responsible levels of command. Serves as coordinator and official clearance center for the release of statistical data . . . .[5]

The details of the comptroller organization are left to the discretion of the bureau chiefs or commanding officers, and each organization should be tailored to fit the need. Sample functional charts are included in the directive for use as patterns for both bureaus and field activities. The comptroller in each organization should report "directly to the bureau chief or activity commander in

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[4] *Ibid.*, Enclosure (1).

[5] *Ibid.*, p. 2.

order that the greatest potential value may be realized from the staff services performed."[6] The comptroller operates in a staff capacity, reporting on operating results, and recommending to management, but not making management decisions.

For a more detailed presentation of the Navy policy on comptroller organizations and functions in bureaus, offices, and field activities see Appendix B, SECNAV INSTRUCTION 5400.4.

The charter of the Comptroller of the Navy was revised and promulgated on 6 July 1956. Briefly, it includes information on the authority for the defense and military comptrollers, mission, duties, and responsibilities of the Comptroller of the Navy, and the responsibilities of the Assistant Comptrollers for (1) Budgets and Reports, (2) Accounting and Finance, and (3) Audit.[7]

Organization - Navy Department Level

In the Office of the Comptrollerof the Navy (Assistant Secretary of the Navy for Financial Management), there are three staff or services divisions, and three operating divisions or offices. The staff divisions are:

Investigation Liaison Division - maintains liaison with the General Accounting Office, Department of Defense, Army and Air Force, the Office of the Naval Inspector

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[6] *Ibid.*, p. 4.

[7] NAVCOMPT INSTRUCTION 5430.1A of 6 July 1956, "Current Charter of the Comptroller of the Navy." See Appendix J.

General, and Bureaus and Offices in matters pertaining to investigations, audits, inspections, surveys, and associated matters in the area of responsibility of the Comptroller.

Special Projects Division - responsible for conducting studies and preparing reports in connection with matters requiring coordination between groups in various specialties of comptrollership.

Administrative Services Division - responsible for providing administrative services. including preparation and administration of the NavCompt budget, civilian personnel administration, mail and records, and editing, printing, processing, and distributing publications.

The operating offices are:

Office of Assistant Comptroller, Director of Budgets and Reports - headed by a Rear Admiral, line; responsible for analyzing and making recommendations with reference to budget policies and estimates; reviewing budget execution through the allocation and apportionment process; and maintaining uniform terminologies, classifications, and procedures.

Office of Assistant Comptroller, Accounting and Finance - headed by a civilian, grade GS-17; responsible for prescribing accounting systems for the Department of the Navy; the type and content of accounting records and reports; supervising the execution of policies and procedures relating to accounting systems; and developing and implementing procedures relating to the collection and expenditure of funds under control of the Navy.

Office of Assistant Comptroller, Audit - headed by a Rear Admiral, Supply Corps; responsible for formulating internal policies, implementing policies of higher authority; planning, research, instruction and liaison; and evaluating effectiveness respecting performance of necessary auditing of a contractor's representations of costs incurred on defense contracts, concluding with reporting findings or approving claims.

Organizational and functional charts of the Office of the Comptroller of the Navy are appended. See Appendix C. For purposes of information and comparison, a similar chart for the Office of the Assistant Secretary of Defense, Comptroller, approved February 1957, is also included as Appendix D.

The Comptroller of the Navy's authority and responsibility in financial matters is exercised primarily through the medium of technical control. The term "technical direction" is one which is peculiar to the Navy and means the specialized or professional guidance and direction exercised by an authority of the Naval Establishment in technical matters. Directives, policy statements, and instructions in the various comptroller areas, such as disbursing, cost accounting, and appropriation or fund accounting, are included in volumes of the Navy Comptroller Manual and are binding upon the entire Navy. Instructions and directives are issued through established organizational or command lines. This is in accordance with the accepted differentiation in the Navy between technical control and command or management

control.

Organization - Bureau Level

While authority and responsibility for financial management is centralized in the Comptroller of the Navy, certain operations, such as disbursing, maintenance of detailed accounting records, preparation of various reports and statistics, and formulation of bureau budget estimates are decentralized to bureaus, offices, and field activities. In addition, bureaus and offices are directly responsible for the commitment, obligation, and expenditure of funds made available to them through allocations and apportionments. The law requires that the heads of executive agencies prescribe systems of administrative control designed to restrict obligations or expenditures to the amount of the apportionment.[8] Such control will enable the agency head to fix the responsibility for the creation of any obligation, or expenditure, in excess of the apportionment. Review and control techniques have been established and placed in operation so that effective technical control can be exercised by the Comptroller of the Navy through established command channels throughout the decentralized financial operations.

The delegation of financial operating responsibilities parallels, insofar as possible, management and command lines of authority and responsibility. This permits a bureau chief

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[8] Section 3679, Revised Statutes of the United States, (31 U.S.C. 665).

or commander of a field activity to exercise a unified or integrated direction of programs for which he is both responsible and accountable.

It is the policy of the Secretary of the Navy to establish comptroller organizations in all bureaus and offices. The chiefs of bureaus and offices, Navy Department, may within their discretion direct the establishment of a comptroller organization for an activity under their command or management control, or authorize the commanding officer to establish one on his own initiative.[9]

In accordance with the broad scope of the Secretary of the Navy's directive on the establishment of comptrollership organizations in bureaus, offices, and field activities, the Naval Establishment--both ashore and afloat--has responded with enthusiasm. The concept of comptrollership has gained wide acceptance in the Navy in the few years of its existence. As of 30 June 1957, there were 12 comptroller organizations at the bureau and office level and 181 at the field level. Comptroller organizations have been established at nearly all field installations where the size, scope, and complexity of fiscal operations justify the need.[10] Other organizations will be added in the future as new fiscal systems are installed.

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[9] SECNAV INSTRUCTION 5400.4 of 18 November 1953, "Establishment of comptroller organizations in bureaus, headquarters, offices, and field activities of the Navy and Marine Corps."

[10] Ibid. See paragraph I.C. of enclosure (1) thereto.

Listed below are some of the bureaus and offices of the Navy Department which have established such organizations as of April 1958, and the incumbent comptroller:

Office of the Chief of Naval Operations - OPNAV Comptroller - Captain L. B. McDonald, USN; line officer who occupies the military billet of OP-02C; civilian assistant comptroller, GS-14. The OPNAV Comptroller functions as a financial staff assistant to the DCNO (Administration), exercising line operating authority only over the functions of his own office.

Headquarters, U.S. Marine Corps - Fiscal Director, Briggen F. L. Wieseman, USMC; civilian assistant. The Fiscal Director is appointed by the Commandant of the Marine Corps and reports to the Chief of Staff.

Office of Naval Research - Comptroller - Mr. W. W. Edwards; staff position; reports directly and is responsible to the Chief of Naval Research.

Administrative Office, Navy Department - Comptroller - Mr. L. F. Waller; staff assistant reporting to the Administrative Officer, Mr. Frank V. Kent.

Bureau of Aeronautics - Comptroller - Captain J. K. Leydon, USN; naval aviator designated as AEDO; civilian assistant comptroller. He acts in a staff capacity under the Deputy and Assistant Chief of the Bureau.

Bureau of Medicine and Surgery - Comptroller - Mr. T. J. Hickey. Until recently this billet was filled by a naval officer of the Medical Department.

Bureau of Naval Personnel - Assistant Chief for Finance and Property Management - Captain Brooke Shumm, USN; line officer who is the staff financial advisor and analyst for the Chief of the Bureau. He is also director of the Comptroller Division.

Bureau of Ordnance - Comptroller, and Director of the Financial Division - Mr. W. S. Williams, GS-16. As Comptroller, he occupies a staff position reporting directly to the Chief, Bureau of Ordnance; as a division director, he has line authority over the Financial Division for organization, administration, and coordination.

Bureau of Ships - Comptroller - Captain E. H. Batcheller, USN; naval officer designated EDO. He occupies a staff position and reports directly to the Chief, or Deputy and Assistant Chief, of the Bureau. Because of the highly technical nature of its responsibilities, and the vital relationship between financial management and execution of the "hardware" programs of the Bureau, it has been BuShip's policy to fill this billet with a technically qualified officer rather than a civilian specialist. The deputy comptroller is a civilian.

Bureau of Supplies and Accounts - Comptroller - Captain R. W. Carter, SC, USN; staff position reporting directly to the Chief, Bureau of Supplies and Accounts. He has line authority over operation of the Comptroller Division. Until recently, the billet was filled by a civilian. The Deputy Comptroller is also an officer of the Supply Corps.

Bureau of Yards and Docks - Assistant Chief for Administration and Comptroller - Captain N. M. Martinsen, CEC, USN: staff position appointed by and reporting directly to the Chief, Bureau of Yards and Docks. He has line authority over the operation of five divisions, including the Financial Management Division which is headed by a civilian.[11]

Conclusions

In conjunction with the establishment of comptroller organizations, the Navy has placed more and more stress on the importance of financial management in the normal, routine operations of the Department. New fiscal systems have been developed and installed, and numerous improvements have been made in existing financial policies and procedures. At all levels there is an increasing utilization of the financial tools of management by both program planners and administrators. This is particularly evident in the process of developing and executing the Navy budget.

It was in recognition of the importance of financial management that the Congress, in 1954, created the positions of assistant secretaries of the military departments for financial management.[12] This action was brought about

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[11] For a more detailed presentation of comptroller organizations in the bureaus and offices of the Navy Department see: Research Report of the 1957 class, Navy Graduate Comptrollership Program, George Washington University, Financial Management in the Department of the Navy (Washington, D.C.: George Washington University, 1957), chapter I.

[12] Public Law 562, 83rd Congress, 2nd Session, approved August 3, 1954.

to aid the secretaries of the departments in dealing with the increasing number of complex financial problems encountered on a daily as well as an annual basis.

Financial management organizations have now been extended in the military departments to every level from headquarters down to major field installations. These organizations are all under the supervision of Assistant Secretaries responsible exclusively for financial management in the Office of the Secretary of Defense and in each military department.

Financial management functions have been integrated in each military department, under the direction of the Secretary of Defense, to include budgeting and budgetary control, accounting, progress reports and statistics, disbursing, contract financing, and internal auditing.

The usefulness of financial management as a part of overall management has become more and more recognized at every level. Budgeting and budgetary control have become an indispensable part of total management. At no time has this been more important than at the present, when we must keep within expenditure limitations directed by the President in order to avoid exceeding debt ceilings established by the Congress. The current problems of maintaining strong military forces in the face of increased costs of material, personal services, and other operating elements have emphasized the need for a mechanism which accomplishes the proper allocation of available resources to each part of any program. Thus the dollar must be used as the common denominator of effort

to assist in determining program priorities and using the budget and the funding process to channel effort to those functions that management has determined to be most urgent and necessary.

CHAPTER VIII

IMPROVED FINANCIAL MANAGEMENT

The tremendous increase in the size of the peacetime budgets of the Navy in the post-World War II period has brought with it increased responsibilities to the public. Review agencies at all levels, including the Congress, have become increasingly cost-conscious and have placed considerable stress on improved financial management not only in the Navy, but also in the other agencies of the Government.

Following various surveys by groups such as the Hoover Commission, the Congress, in 1949, enacted Title IV of the Amendments to the National Security Act of 1947. Title IV required the Navy and the other military services to install Comptroller organizations throughout the Department and to make vast fiscal improvements, including the adoption of performance budgeting, industrial funds, stock funds, cost accounting, property accounting, and internal audit. Some of these, such as stock funds and property accounting, were not new to the Navy; however the legislation set the framework and provided the impetus for substantial changes which have taken place since that time.

Major Accomplishments

In the following pages some of the major accomplishments

under Title IV will be mentioned.[1] These will include budgeting, accounting, progress reporting and statistics, and internal audit.

A. Performance Budgeting

The performance budget, as contemplated by Title IV, was expected to make the costs of specific functions readily ascertainable, to prevent over-drafts and deficiencies, to fix responsibility for utilization of funds, and to provide machinery for the preparation of reliable budget estimates by the military departments as well as for budget review by the office of the Secretary of Defense, the Bureau of the Budget, the President, and the Congress.

Prior to the adoption of the performance budget in the military departments, a military installation was financed by many appropriations, with over-lapping sources of funds; which prevented clear lines of fiscal responsibility, prevented the determination and control of program costs, made management weak and complicated, and made an effective budget presentation impossible.

The Office of the Secretary of Defense, in cooperation with the Bureau of the Budget, has advanced and advocated the performance budget concept as a necessary ingredient of effective fiscal management. In accordance with Section 403 of Title IV, the Secretary of Defense has directed the

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[1] The information contained in these pages has been based on interviews with officials in the Department of Defense; the Interim Report and Hearings on the Implementation of Title IV, by the Committee on Armed Services, U.S. Senate; and the quarterly reports by the Office of the Secretary of Defense, Army, Navy, and Air Force on the Implementation of Title IV.

military departments to prepare their budgets on the cost-of-performance basis.

The Navy Department has made the greatest progress in the use of the performance budget, although their accomplishment in segregating capital and operating costs has been less successful than the other military departments. The delay in the use of stock funds in the Army and Air Force has retarded performance budgets in those departments. As a result, their budgets do not adequately identify the costs of materials consumed with the programs to which related.

There are also other areas wherein the objectives of the performance budget are not being realized. The Department of the Army budgets in lump sums for maintenance and operations as though this were the end objective. In this manner, the costs cannot be related to the various programs being supported. This single maintenance and operations budget would give the Navy more flexibility. There is opposition, however, by those who feel that it would threaten the Navy's technical bureau organization.

Guidelines for budget planning have been issued annually by the Assistant Secretary of Defense (Comptroller) to the military departments setting forth major policies, plans, and programs to be used by the departments as a basis for budget formulation. The military departments have been preparing their budgets in conformance with those guidelines.

The review of budget estimates of executive departments

is thorough and well coordinated. They are not subjected to as critical and as objective a review in the military as in other departments. Such review in the military departments is made by Budget Advisory Committees consisting, principally, of senior officers who head the major subdivisions of each military department.

Only the Department of the Navy has taken adequate steps to establish a civilian staff to assist in the analysis and review function. The establishment of similar staffs in the Army and Air Force responsible solely to their respective Secretaries should improve the analysis and review of budget estimates in those departments.

D. Accounting

The framers of Title IV contemplated the installation of an accounting system in the Department of Defense which would provide reliable fiscal data for use in the preparation and support of budget requests, to provide machinery for effecting control of obligations and expenditures, and for measuring the effectiveness and economy of the performance of management, to promote control and reduction of operating costs, and to establish accountability for assets.

It was expected that there would be an integration of account classification, fiscal accounting, cost accounting, and property accounting into a single uniform system. It was anticipated that a greater sense of responsibility and accountability in all echelons would result and that Congressional and Executive control over expenditures of the Department of Defense would be strengthened.

While much progress has been made in the various areas of accounting, much remains to be done in integrating budgeting and accounting, in providing uniform and improved account classifications, and in developing a unified, all-purpose, integrated accounting system which will provide timely and useful information to management at all levels in the Department of Defense.

C. Progress Reporting and Statistics

Progress and statistical reporting of the major programs and activities of the Department of Defense involves developing, compiling, summarizing, analyzing, and interpreting data covering each such program or activity and the presentation of these data in consolidated and summary form.

Much has been accomplished in this area. Uniform terminology, classifications, and procedures have been established. Statistical programs of the Department of Defense are coordinated with those of other agencies. Unnecessary reports are being eliminated. Comprehensive summary reports covering important subjects have been developed. It is not always true that a new comprehensive report will supersede and cancel the older established report. This is one of the greatest difficulties to be overcome in paperwork reduction and reports control.

The reporting system as developed in the Department of Defense should permit top officials to be fully and currently informed of the status, progress, and problems of the major programs. Such a reporting system permits more effective management and provides complete and timely

information to the Congress and the public.

The value of progress reports depend to a great extent on their timeliness. The military departments are frequently guilty of failing to meet deadlines for reporting. Steps should be taken to assure that reporting deadlines are met in the military departments in order that their reports will be more effective.

D. Internal Audit

Internal auditing is designed to provide independent internal audits and appraisals, both of financial and business operations of departmental activities, to determine the extent of adherence to appropriations provisions and legal requirements, and to provide a means whereby interpretation of defense contract costs can be applied uniformly by all military departments. The audit function should make available to all echelons of management an independent review of financial and business activity, recommendations for correcting deficiencies, objective appraisals of the effectiveness of systems, procedures, and regulations pertaining to fiscal management. It should also assure contracting offices and private contractors of efficient examinations of private contract records.

Audits of contract costs were made by each military department for many years prior to enactment of Title IV. It was not uncommon to find duplicating and overlapping audits, conflicting interpretations of reimbursable costs, and differing audit methods and procedures. While these conditions have not been completely eliminated, uniform

audit methods and procedures have been prescribed, duplicating and overlapping audits have been decreased, and a set of uniform contract cost principles have been established. A single contract audit manual has also been developed for use by all the departments.

The accomplishments discussed above are only a few of the achievements in implementing Title IV. The three military departments make quarterly reports to the Assistant Secretary of Defense (Comptroller) on the achievements in their departments in implementing Title IV, National Security Act Amendments of 1949. Excerpts from the most recent report from the Assistant Secretary of the Navy (Financial Management), i.e. the Comptroller of the Navy, dated 9 April 1958 and covering the period 16 December 1957 through 15 March 1958, are included as Appendix E.[2]

The Navy has taken pride over a period of many years for being well managed. During the past few years fundamental changes have occurred in the financial field which have resulted in improved management. Personnel throughout the Department are getting better financial tools with which to do a more efficient and economical job. The result is that the taxpayer is getting more Naval defense for the dollar than ever before.

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[2] Assistant Secretary of the Navy (Financial Management) memo to Assistant Secretary of Defense (Comptroller), dated 9 April 1958. Subject: Seventeenth Quarterly Report on Department of the Navy Achievements in Implementing Title IV, National Security Act Amendments of 1949.

CHAPTER IV

PLANNING, PROGRAMMING, AND CONTROLLING

The Navy Planning System is composed of three phases which provide guidance for peacetime operation and mobilization preparedness.[1] There is peacetime, or current, planning which includes plans and directives for operation in the next eighteen months, and there is mobilization planning, which is divided into two phases (1) mid-range planning and (2) long-range planning. These latter two mobilization categories are concerned with planning for periods from approximately four to fifteen years in the future. Mobilization planning only indirectly affects the budget. Because of this, and its generally classified nature, it will not be discussed in detail. Emphasis will be placed on the phase of planning which directly affects the budget--peacetime planning. See Appendix F for a graphic presentation of the Navy Planning System.

Top level planning commences with the President, the National Security Council and the Office of Defense Mobilization. The organization for material security, as set forth in the National Security Act of 1947 as amended (1949), and

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[1] This general information on program planning in the following paragraphs is based upon information from the Research Report of the 1957 Class, Navy Graduate Comptrollership Program, Financial Management in the Department of the Navy (Washington, D.C.: George Washington University, 1957), p. 177.

Reorganization Plans 3 and 6 of 1953, and its role in defense planning may also be seen by inspection of Appendix F.

The National Security Council has as its mission to "Advise the President on integration of domestic, foreign, and military policy." Its duties are enumerated as follows:

1. Recommend action regarding U.S. actual and potential military power based on objectives, commitments, and risks

2. Recommend action regarding matters of common interest to Federal activities concerned with national security.

Permanent membership consists of:

The President

The Vice President

Secretaries of State and Defense

Director, Office of Defense Mobilization

Director of Foreign Operations

The mission of the Office of Defense Mobilization is to "advise and assist the President on mobilization for the national defense." Its duties are:

1. Exercise functions of the President under the Defense Production Act.

2. Direct the stockpile program.

3. Serve as a member of the National Security Council.

4. Advise the President concerning the coordination of military, industrial, and civilian mobilization.

Military Planning

It is at this level that the nation's political and

international position is reviewed and, with the assistance and advice of the Joint Chiefs of Staff, a military program is defined in broad terms. The program is then forwarded to the Secretary of Defense for interpretation of military requirements. He reviews the program to ensure proper balance between the Army, Navy, and Air Force. Here the program planning begins to be defined in more specific terms, but still remains rather broad in nature. These broad guidelines are forwarded to the Secretary of each military department for further interpretation and refinement to fit their particular service. The Secretary of the Navy receives the guidelines for the Naval forces and reviews them with the aim of establishing a program that is compatible with Navy potential, and also within anticipated budgetary limitations. The results are promulgated by the Secretary of the Navy as a directive to the Chief of Naval Operations who then begins the process of planning, which interprets the Navy program in terms of manpower, material, and money.

Current Navy Planning

Navy planning is under the immediate direction of the Vice Chief of Naval Operations, assisted by the General Planning Group. This group is composed of representatives from all OPNAV offices with the ACNO (General Planning), OP-90, as Director, General Planning Group. Serving as associate members are representatives of the various bureaus and offices of the Navy. The general planning directive from the SECNAV is referred to this group where it is reviewed and a broad outline of assumptions, including force levels,

operational readiness, and mobilization reserves is promulgated. Based on this outline, and using detailed information received from bureaus and offices, the following actions are taken within OPNAV:

1. The Deputy Chief of Naval Operations for Personnel (OP-01) prepares a Personnel Allocation Plan.

2. The DCNO for Administration (OP-02) prepares the requirements for OPNAV administrative support and communications facilities.

3. The DCNO for Operations (OP-03) prepares the requirements for the operating forces, showing ships, manning levels, shipbuilding programs, fleet employment plans, training programs, and other matters pertaining to fleet readiness.

4. The DCNO for Logistics (OP-04) prepares ship activation and deactivation lists, material improvement plans, overhaul availabilities, mobilization reserve material requirements, and other matters of logistic support.

5. The DCNO for Air (OP-05) prepares the aircraft procurement program, flying hours, air facility needs, aviation training and associated requirements.

6. The ACNO for the Naval Reserve (OP-91) prepares personnel and training requirements for the reserve organization.

7. The Commandant of the Marine Corps recommends Marine Corps requirements to meet the program.

8. The Chief of Naval Material prepares the cataloging program, Standardization Program, and the

Industrial Mobilization Program. The individual submissions are fitted together in a composite picture entitled Program Objectives and a review of the Objectives is conducted by the General Planning Group.

A. Navy Program Objectives

In view of the mounting pressure for reduction of Government expenditures, the necessity for careful review, evaluation, and determination of priority of Navy Programs is assuming increasing importance. In addition, the Navy is continually developing new programs which have low initial costs but which can develop into unusually large costs in the future. In order to evaluate all programs properly, it is essential that their financial and personnel implications be known in addition to their military potential.[2] New programs which ultimately require funds of high order of magnitude will have a significant effect on the Navy budget and can therefore be funded only at the expense of other programs. Top management in the Navy needs a systematic method of presentation of programs in order to make the policy decisions affecting the future of the Navy. In addition, coordinating agencies need detailed information for the development of their own programs.

In recognition of these facts, the Office of the Chief of Naval Operations issued a directive in October 1957 as a means of satisfying these needs.[3] The purpose of the

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[2] This subject will be treated separately.

[3] OPNAV INSTRUCTION 5010.13 of 24 October 1957. Subject: Navy Programs. See Appendix G.

instruction is expressed:

> . . . to establish a standard method for the development and presentation of a Navy Program. It provides for a comprehensive delineation of immediate and eventual scope and costs, which will provide adequate data on which complete and proper evaluation of a Navy Program can be made before it is entered into the Navy Projected Program Objectives and the Department of the Navy Program Objectives.

Distinguishing the relationship between Plans and Programs it states:

> (1) Plan. A military plan is a proposed procedure or method of military action.
> (2) Program. A program is a scheme of administrative action designed for the accomplishment of a definite objective . . . .

The directive recognizes the need for evaluating the program requirements in the light of money. This is, after all, only sound management and common sense. It fails to mention the coordination of the planning and programming with the available funds.

> (5) Means Allocated. In order to evaluate the program properly, the requirements in terms of funds, material, personnel, and construction must be specifically stated. The most important of these is funds. An accurate estimate of the total cost of a program, including its various elements, may reveal that the cost is out of proportion to its value, and that it may become necessary to make a drastic revision or, in some instances, drop the program entirely.[4]

There is much to be said, pro and con, concerning the desirability of relating planning to available resources--money. Why should we "hamstring" ourselves in developing plans by planning only those actions for which we have immediately available resources? This procedure would lead us into routine, unimaginative channels, and our accomplishments

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[4] Ibid., p. 2.

would be meager and inconsequential. On the other hand, why should we not devote our planning efforts to those actions and programs which are in the realm of possibility for accomplishment, and not out in the "wild blue yonder?" This is a difficult decision--where is one to draw the line? The technique of "brainstorming" illustrates the latter philosophy. In the development of long-range planning in the Office of the Chief of Naval Operations, it is the practice to divorce the long-range objectives completely from mid-range planning. This is so that the long-range plans will not be influenced by what we plan to have in the next four to five years as shown in the Projected Program Objectives. Through this philosophy, our planning for the future generates many more ideas, unencumbered by our knowledge of what we shall have as a starting point upon which to build.

In order for a program to be self-sufficient and defensible, the following essential elements must be present:

1. The objective
2. The scheme for attainment of the objective
3. The time-phasing of the various stages
4. The determination of the means to be allocated.

The objective is a specific statement of what the program will accomplish towards the overall improvement of the Navy, and the specific requirement which it will meet. A requirement is an expression of a specific demand generated by a strategic plan or strategic concept for products, services, or resources. To be useful in our budgetary calculations, a requirement must be balanced against other requirements

and be attainable within reasonable and realistic limits of time, production, and cost. In establishing the validity of a requirement, consideration must also be given to the following:

1. Necessity for reduction or elimination of that which is replaced or rendered unnecessary when the requirement is satisfied.

2. Availability or planned procurement of associated prodcuts, services, or resources necessary for the efficient utilization of that which is required.

3. Competition with other requirements for resources, productive capacity and funds which might result in rendering several existing requirements unfeasible by introduction of a new requirement.

B. Basic Naval Establishment Plan

The Program Objectives are forwarded to the Chief of Naval Operations for a final military review. CNO is assisted in this review by the Budget Advisory Committee which is comprised of representatives from the various OPNAV offices and the Navy Comptroller. Associate membership on the Committee is extended to the bureaus and offices of the Navy Department.

Upon approval by CNO, the Program Objectives are forwarded to the Secretary of the Navy for consideration. He holds hearings with representatives of CNO to review the program. When approved by the Secretary of the Navy, the Program Objectives become the official basis for the development of the annual Navy budget. While the Program Objectives

are being considered by SECNAV, the General Planning Board is commencing preparation of the Tentative Basic Naval Establishment Plan which is a refinement of the Program Objectives and provides detailed guidance for the preparation of the budget. Contained in the BNEP will be such details as the size of the Naval Shore Establishment and the mission of each activity. Close liaison is maintained with the Secretary of the Navy for possible changes to the Program Objectives, and as soon as possible after approval of the Objectives, the BNEP is issued to the Program Sponsors and the various bureaus and offices. The Tentative BNEP and the Program Objectives are used in compiling the budget.

The Tentative BNEP indicates the Naval Establishment planned for the funds requested in the annual budget submitted by the Secretary of the Navy to the Secretary of Defense. Immediately after the signing of the Appropriation Act, the General Planning Group issues a firm BNEP, predicated upon the funds actually provided in the Act for the fiscal year.

The Basic Naval Establishment Plan is the annual peacetime plan which promulgates policy and planning guidance for the Naval Establishment during the current fiscal year in accordance with funds appropriated. It specifies the operating force level to be maintained; deployment of active forces; authorized personnel strengths, Regular and Reserve, and their end allocation; the state of training and degree of readiness to be maintained; the extent to which material requirements, both peacetime and mobilization reserve, will

be attained; the extent of the supporting establishment and the mission of its component activities. The BNEP is normally developed in three steps over a period of approximately eighteen months as follows:

1. Step one - Department of the Navy Program Objectives.

2. Step two - Tentative Basic Naval Establishment Plan.

3. Step three - The Basic Naval Establishment Plan.

Upon receipt of the approved final Basic Naval Establishment Plan, the various Bureaus and Offices of the Navy and the Commandant of the Marine Corps develop and issue detailed plans and instructions for the implementation of the approved programs.

Appendix F illustrates, in graphic form, the Navy Planning System. Chart 1 entitled Development of Navy Plans shows Governmental authority, direction and control over the Department of the Navy, and the manner in which various Government agencies influence Navy planning. Chart 2, Current Planning, shows the major subdivisions of current planning - war or emergency planning, and peacetime planning. Also shown diagrammatically is the relationships between the various plans, directives or instructions which prescribe the course of action to be followed to meet a situation which may originate within the foreseeable time of one year. Chart 3, Mid-range and Long-range Planning, describes mid-range, and long-range objectives in diagrammatic form. Chart 4 shows the time relationship of Navy plans, including (1) current planning, (2) mid-range planning, and (3) long-range planning.

Mid-Range (Mobilization Objectives) Planning

This category includes all types of plans, programs, directives, or instructions which establish objectives considered to be reasonably attainable by the beginning of the mid-range period, approximately four years in the future. These objectives are usually expressed in terms of forces, resources, facilities and mobilization reserves. Specifically included are the following categories of plans:

1. Navy Basic Mobilization Plan
2. Navy Basic Logistic Plan
3. Navy Projected Program Objectives
4. Navy Strategic Plans for Special Situations

Long-Range Objectives (Estimates)

This category includes such estimates, special studies, and long-range programs which may be made or developed from time to time at the direction of the Chief of Naval Operations. Long-range planning is broad in scope and, when approved by CNO provides objectives for the type of Navy required 10 to 15 years into the future, and provides guidance for (1) naval capabilities required to fulfill the Navy's basic responsibilities in the long-term; (2) Navy positions on joint long-range strategic concepts and the military posture required to support the most probable U.S. long-range national policies to accomplish the basic national objectives of the United States; (3) research and development.

Planning for the National Defense--Summary

Governmental authority, direction and control over

the Department of the Navy, and the manner in which the various Government agencies affect Navy planning, are shown in Appendix F, Chart 1. In effect, military planning commences with the President. National security policies, as approved by the President, provide the policy guidance which is transmitted by the Secretary of Defense to the Joint Chiefs of Staff and to the Secretaries of the military departments. From this policy guidance, the Joint Chiefs of Staff develop supporting military plans (Joint Plans) in which are included the missions, tasks, and forces for each service, and the Secretaries derive the policy guidance for their respective military departments.

The Chief of Naval Operations, in consonance with expressed policy, prepares the plans described herein to support the Joint Plans. Based upon broad requirements in Navy plans, and those stated in Marine Corps plans, the materiel bureaus compute the detailed requirements for principal materiel items. These detailed requirements go back through the Chief of Naval Operations to the Secretary of the Navy (Office of Analysis and Review), and thence to the Secretary of Defense.

In the Office of the Secretary of Defense, these requirements are consolidated for all services by the Assistant Secretary of Defense (Supply and Logistics) and the Assistant Secretary of Defense (Manpower and Personnel) and, in the form of requirements for personnel, end-items, and raw materials are transmitted to the Office of Defense Mobilization.

Program Control

Once the financial plan has been put into effect setting the program into motion, it becomes necessary for all who are concerned with its execution to have some means of measuring the results of operations. Attainment of the objectives of the program must be evaluated in the same terms in which the program is expressed--that is, in dollars.[5]

The truth of this statement will not be disputed. It is an absolute requirement for efficient and economical financial control--thus management control--of programs, or operations. The fact is, however, that it is almost impossible to accomplish under the present system for program planning and direction, appropriation structure, and budgeting and accounting procedures used in the Navy. It is not the purpose of this section to argue the relative merits of the planning systems and appropriation structures of the three military services. Rather, an attempt will be made to point out an existing deficiency which makes effective program control most difficult. In fact, this deficiency has such far-reaching implications that it could well be the foundation for a vast revision and overhauling of the Navy's appropriation structure, or accounting classifications.

That the Congress has long been concerned over the proper expenditure of Government funds is a matter of record. This is particularly true in the administration of programs

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[5] Research Report of the 1958 Class, Navy Graduate Comptrollership Program, Financial Management in the Shore Establishment (Washington, D.C.: George Washington University, 1958), p. 45.

of the military services. If we assume an objective attitude in this connection it is reasonable to believe that their interest is justifiable and morally correct. The Department of Defense has consistently spent the lion's share of the Government's total expenditures. In 1955, the military functions of the Department of Defense (exclusive of the Mutual Security Program) accounted for 55% of the Federal budget; in 1956, 54%; and in 1957, approximately 54%. Budget expenditures by purpose for those years are presented in the following table.

BUDGET EXPENDITURES BY PURPOSE[6]
(In billions)

	Actual 1955	Estimated 1956	Estimated 1957
Protection, including collective security	$42.7	$41.4	$42.4
Civil benefits	13.7	13.8	13.9
Interest	6.4	6.9	7.1
Civil operations and administration	1.7	2.1	2.2
Reserve for contingencies	-	.1	.2
Total	$64.6	$64.3	$65.9

The breakdown of expenditures for protection, including collective security includes the military functions of the Department of Defense; the Mutual Security Program; the

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[6] The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1957 (Washington, D.C.: U.S. Government Printing Office, 1956), p. 9.

Atomic Energy Commission; and other programs such as stockpiling, expansion of defense production, civil defense, and our foreign information activities.

EXPENDITURES FOR PROTECTION, INCLUDING COLLECTIVE SECURITY (In billions)[7]

	1955 Actual	1956 Estimated	1957 Estimated
Major national security programs:			
Department of Defense - Military Functions	$35.5	$34.6	$35.5
Mutual Security Program - military	2.3	2.5	2.5
Atomic Energy Commission	1.9	1.7	1.9
Stockpiling and defense production expansion	.9	.7	.4
Sub-total	$40.6	$39.5	$40.4
Related programs	2.1	1.9	2.0
Total	$42.7	$41.4	$42.4

Wherein does the difficulty lie? Are we convinced ourselves that our expenditures are being made for the purposes for which the Congress intended they be made in the Appropriation Act?

The chief cause of the problem is the lack of relationship between the various accounting classifications

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[7] *Ibid.*

and the Navy's programs in which the expenditures are made.

The primary classification of naval expenditures is by Appropriation, or the account number, according to the legal source of the funds chargeable. The appropriation and account numbers are one and the same. The next division is by sub-heads whereby the appropriation is divided into smaller control accounts. In the Navy, the sub-heads are used to divide the appropriation into budget activities. Expenditure accounts classify expenditures according to their end use, or purpose for which the expenditure was made. This classification is made to provide a detailed analysis of the cost of maintaining and operating the Navy. The object class is an additional classification of expenditures based upon the nature of the services, articles, or other items for which the funds are expended. It is important to note the distinction between the purpose, or end use classification of the expenditure account, and the nature of the item classification of the object class.

There is in existence a jumbled mass of classifications and categories which is complicated by the technical bureau organization and the framework in which they are required to administer the appropriations as appropriations sponsors, the organization of program sponsors, and the division of programs within the Navy Planning Group.

The OPNAV INSTRUCTION on Navy Programs, Appendix G, makes the following definitions:

Program sponsor - The Deputy Chiefs of Naval Operations; the Chief of Naval Material; the Director of

Naval Intelligence, and others, as appropriate, who coordinate and integrate programs under their cognizance.

Program coordinator - The individual in the office of a Program Sponsor who is directly responsible for the execution of a specific program.

Program Administrator - The Bureau or Bureaus which administer the program or portions thereof.

Appropriation Sponsor - (The Bureau or Office administering the appropriation to which the program, or portions thereof, are chargeable.)[8]

Control vs. Budget

To illustrate the impractical system which is in use in the Navy making it virtually impossible to relate the annual budget and expenditures to CNO's established operating programs, the following lists of classifications and categories need only be inspected.

A. Naval Organization

Office of the Chief of Naval Operations
Marine Corps
Bureau of Ships
Bureau of Aeronautics
Bureau of Ordnance
Bureau of Supplies and Accounts
Bureau of Naval Personnel
Bureau of Yards and Docks
Bureau of Medicine and Surgery

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[8] Definition is author's. See OPNAV INSTRUCTION 7100.1 of 9 April 1956.

These activities may be either Program Sponsors, Program Administrators, or Appropriation Sponsors, as defined above, or combinations thereof.

B. Navy Planning Group Programs

Military Personnel

Operations and Maintenance (Fleet and Training)

Procurement and Production (Material)

Other:

- Shipbuilding and Conversion
- Aircraft Procurement
- Ship Improvement and Procurement
- Construction Battalions
- Advance Base Functional Components
- Petroleum Products
- ABC Material and Equipment
- Ammunition
- Naval Communications
- Service Wide Programs
- Industrial Mobilization Planning
- Federal Cataloging Program
- Materials Standardization
- Fleet Air Defense
- ECM/ECCM Programs
- Naval Security Group
- Foreign Aid
- Operating Forces Dispersion
- Fleet Supply Improvement Program

    - Application Engineering Program
    - Selected Reserve Program
- Shore Establishment and Overseas Bases
    - Housing
    - Maintenance
- Military Construction and Real Property Acquisition
- CONUS Defense Program
- A-Weapons Program
- Toxic Chemical Warfare
- Harbor Defense and Mine Warfare
- Guided Missile Program
- Research and Development
- Anti-Submarine Warfare
- Striking Force Operations

C. Budget Categories

- Military Personnel
- Maintenance and Operations
- Major Procurement and Production
- Military Public Works
- Establishment-Wide Activities
- Research and Development
- Reserve Components

D. Appropriation Titles

- Military Personnel, Navy
- Reserve Personnel, Navy
- Military Personnel, Marine Corps
- Reserve Personnel, Marine Corps

Navy Personnel - General Expenses
Marine Corps - Troops and Facilities
Aircraft and Facilities, Navy
Ships and Facilities, Navy
Ordnance and Facilities, Navy
Medical Care, Navy
Civil Engineering, Navy
Naval Petroleum Reserves
Service-Wide Supply and Finance, Navy
Shipbuilding and Conversion, Navy
Aircraft and Related Procurement, Navy
Procurement of Ordnance and Ammunition, Navy
Marine Corps Procurement
Military Construction, Navy
Military Construction, Naval Reserve Forces
Service-Wide Operations, Navy
Research and Development, Navy
Construction of Ships, Navy
Ordnance for New Construction, Navy

In this regard it is interesting to note that the Navy has twenty-three separate appropriation titles, whereas the Army has ten and the Air Force only eight.

E. Object Classes

01 Personal services
02 Travel
03 Transportation of things
04 Communication services

05 Rents and utility services

06 Printing and reproduction

07 Other contractual services

08 Supplies and materials

09 Equipment

10 Lands and structures

11 Grants, subsidies, and contributions

12 Pensions, annuities, and insurance claims

13 Refunds, awards and indemnities

14 Interest

15 Taxes and assessments

16 Investments and loans

Object class is an expenditure classification based upon the nature of the service or item for which the expenditure was made.

E. Expenditure Accounts

Naval vessels

Ordnance

Aircraft, engines, and other equipage

Naval activities and offices

Stores purchases and transfers

Manufacturing for stores and repairs and alterations to materials and equipment in store

Military pay and allowances and general expenses of military personnel

Departmental and operating forces other than ships and aircraft

Accounts receivable, accounts payable, income,
losses in stores, and miscellaneous expenditures.

Expenditure accounts classify expenditures according to their end use or purpose.

It should be apparent that improvement is needed in this area. However, before any changes are made, the matter should receive most careful consideration and detailed studies should be made to determine not only the best solution, but the impact that any such changes would have on our program management, and budgeting and accounting procedures. Nevertheless, the facts of the matter appear to be:

1. The Navy is neither budgeting nor reporting on an operating program basis;

2. Under the present system it is next to impossible to identify the source of funds expended in the operating programs;

3. Funds are not being spent properly because we are not, and cannot properly relate them to the operating programs.

Control is an inherent part of management. It cannot be accomplished without painstaking attention to detail. The main purpose of financial control is to enable those officers in charge of operations to guide activities along efficient lines. Such controls cannot be rigidly applied methods leading to equally rigid decisions on the part of those who are responsible for operations. The controls must be tailored to fit the job at hand, and they must be used wisely for the

purpose for which they were intended.[9]

The Nature of Controls

Comptrollership, in its broad form, was discussed in the chapter on Comptrollership--Functions, Authority, and Organization. By definition, a comptroller and controller are one and the same--a person who controls. The functions of a controller have been delineated in the terms of a professional society--the Controllers Institute of America, the Congress, an Executive agency of the Government--the Department of Defense, and a military service--the Navy. It may be summed up by saying that controlling is the process of determining whether or not actual operation is proceeding as desired *and* of taking appropriate action as required. Essentially, controlling consists of establishing a system of checks on certain key operations and procedures so that mistakes or deviations from the charted or budgeted line of action become immediately apparent.

We may then determine the essentials of controlling to be as follows:

1. Ascertain the extent to which operations are proceeding according to plan.

2. Evaluate the facts and work out the necessary related actions.

3. Make corrections and modifications in time to

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[9] Research Report of the 1958 Class, Navy Graduate Comptrollership Program, *Financial Management in the Shore Establishment* (Washington, D.C.: George Washington University, 1958), p. 45.

bring operations into line with plans, or programs into agreement with budgets, without sacrificing efficiency or economy, and without loss of effort.

4. Evaluate the extent to which operations contribute to overall effectiveness.

It was said that control is an inherent part of management. This may be restated in another way:

Control is an inherent part of command responsibility. To control an operation, it is essential to have a clear idea of the objective to be reached and the policies which govern the particular operation; where the objective is the end-result to be achieved and policy is the line of guidance limiting the freedom of action. One must also know what procedures have been prescribed by the organization to aid in reaching the objective. It is over those procedural steps that control is usually exercised, and controlling becomes a matter of determining that things go right, or according to plan.

Elements of Planning

In conclusion, the importance and significance of effective planning in the overall management process is stressed in a brief summarizing statement covering the elements of planning:

There are five basic steps in any planning process. These are:

1. Understand the mission - its nature and complexities;
2. Evaluate the available resources - consider the situation and its elements;

3. Consider the possible lines of action -
    a. Analyze the lines of action as to suitability, feasibility, and acceptability
    b. Comparison may result in one, or a combination of several lines of action
    c. Decide on the objective. Each line of action must have an objective; the objective, when attained, should contribute to the accomplishment of the mission
4. Select the best line of action -
    a. It may be competent to varying degrees
    b. The selected line of action becomes the general plan
    c. The selection is the conclusion that follows the analysis;
5. Formulate the detailed plan -
    a. Detailed and comprehensive scheme of operations
    b. Establish the procedure: who - what - when - where - why - how.[10]

Planning is the contemplative process of selecting and developing the best course of action to accomplish an objective. It is the basis from which future actions, or programs, are set in motion

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[10] Author and source unknown.

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APPENDIX A

APPENDIX A

GLOSSARY

Activity. A term used in budgeting to indicate a function. A subdivision of an appropriation or fund.

Agency. Any executive department, commission, authority, administration, board, or other independent establishment in the executive branch of the government, including any corporation wholly or partly owned by the United States which is an instrumentality of the United States.

Allocation. (a) An amount set aside by an agency in a separate appropriation for the use of another agency in carrying out the purposes of an appropriation.

(b) An authorization by a designated official of a department making funds available within a prescribed amount to an operating agency for the purpose of making allotments.

(c) The authoritative assignment of a specific amount of funds to a specified agency, or for a designated use, usually for a given period of time.

Allotment. An authorization by an agency to incur obligations within a specified amount pursuant to an appropriation, or other statutory provision. The authority is granted by an operating agency to another office, generally subordinate, within or pursuant to an allocation.

Apportionment. A distribution made by the Bureau of the Budget of amounts available for obligation or expenditure in an appropriation or fund account into amounts available for specified time periods, activities, functions, projects, objects, or combinations thereof. The amounts so apportioned limit the obligations to be incurred, or, when so specified, expenditures to be accrued. Apportionment may also be accomplished by an agency or subdivision thereof for organizations under its control.

Appropriation. An authorization by an Act of Congress to incur obligations for specified purposes and to make payments therefor out of the Treasury.

(a) One-year, or annual--generally used for current operations and maintenance, or short-range procurement programs. This money must be obligated during the fiscal year for which the appropriation has been passed. Payment of bills under these orders or contracts entered into during this first year may be paid for during the succeeding two years.

(b) No-year, or continuing--provide funds for long-range programs as shipbuilding, aircraft procurement and research and development. Such funds are available until the projects are completed.

(c) Multiple-year,--available for incurring obligations for a definite period in excess of one fiscal year.

Appropriation language. The text of the Appropriation Act.

Appropriation limitation. A statutory limitation in an appropriation.

Appropriation warrant. An authorization making appropriated funds available to agencies by crediting the checking accounts of designated disbursing officers. This is the device by which the Treasurer of the United States advises governmental agencies of the appropriations enacted.

BY--The budget fiscal year--or the fiscal year immediately following the current fiscal year. CY--the current fiscal year; PY--the past fiscal year, or the fiscal year immediately preceding the current fiscal year.

Carryover. Amount of the previous fiscal year obligated funds remaining unliquidated on the first day of the present fiscal year.

Commitment. An amount administratively earmarked for future obligations against available funds. (Must be supported by documents showing intent to obligate funds).

Encumbrance. The total amount of available funds obligated and committed as of a given date.

Expenditure. Actual payment for goods and services received, or assets acquired.

Expenditures, accrued. The charges incurred for goods and services received and other assets acquired, whether or not payment has been made and whether or not invoices have been received.

Financial plan. At command level, the operational plan restated in dollar values within the framework of authorized funds.

Industrial fund. A revolving fund established for the purpose of providing working capital for the operation of industrial-commercial type activities. Some activities operate under a "modified industrial fund."

Management fund. A working fund established by Public Law 216, 81st Congress, 1st Session, to facilitate accounting for and administration of intra-governmental activities (other than a continuing cycle of operations) which are financed by two or more appropriations.

Mark-up. Approval or revision of budget estimates (either increase or decrease) by a higher authority.

Object classification. Classification according to the types of services, articles, or other items involved, e.g., personal services, supplies and materials, equipment.

Obligations incurred. Amounts of orders placed, contracts awarded, services rendered, and similar transactions during a given period and supported by a document which requires future expenditure of funds. Public Law 663, 83rd Congress, 2nd Session, provides, in part, that "no amount shall be recorded as an obligation of the government of the United States unless it is supported by documentary evidence of a binding agreement in writing between the parties

thereto, or a valid loan agreement, or an order required to be placed with a government agency . . . also no appropriation or fund which is limited for obligation purposes to a definite period of time shall be available for expenditure after the expiration of such period except for liquidation of amounts obligated in accordance with (the above); but no such appropriation or fund shall remain available for expenditure for any period beyond that otherwise authorized by law."

Obligational authority. An authorization by an Act of Congress to procure goods and services within a specified amount pursuant to an appropriation or other statutory provision. The abbreviation "NOA" for 'new obligational authority' is currently in use to denote the amount of new funds authorized by Congress for obligation under the Appropriation Act. It is the cash appropriated less the cash to liquidate prior contract authorizations plus new contract authorizations.

Overobligation. When the aggregate of obligations exceed the amount of funds authorized for obligation.

Performance budget. A budget based upon programs, functions, and projects which would focus attention upon the general character and relative importance of the work to be done, or the service to be rendered, rather than the things to be acquired such as personnel services, supplies, equipment, etc.

Project order. A specific, definite, and certain order for work, or for the manufacture of supplies, material, or equipment which, for the purpose of obligation, assumes the characteristics of orders or contracts placed with industry.

Reappropriation. Statutory authorization which continues available a part or all of the unobligated balance of an appropriation account which would otherwise expire for obligation purposes.

Reclama. A statement or presentation by an agency in restating budget requirements in defense of a previous position, or in refuting charges implied or written by higher authority. Used to attempt to "reclaim" budgetary cuts, or restore reductions in funds authorized.

Reprogramming. The process of adjusting a previously established program. Usually used in the context of "reprogramming funds," which refers to the adjusting of funds to be applied to a given program.

Revolving fund. A fund established by law to finance a continuing cycle of operations. Receipts derived from the fund are available for use by the fund within prescribed limitations. Types of revolving funds are: (a) management funds, (b) stock funds, (c) working capital funds, and (d) industrial funds. Receipts are available in their entirety for use by the fund without further action by Congress.

Stock fund. A revolving fund which provides for financing

the acquisition of inventories by converting funds to inventories, and sales of such inventories back to funds.

Sub-head. A subdivision of an appropriation or fund. It is used to denote "budget functions" under specific appropriations. Generally synonymous with the term "activity" for a particular appropriation.

Successor account. (Identified by letter "M"--commonly referred to as "M" accounts)--an appropriation account into which lapsed appropriations for annual appropriation accounts are merged for the purpose of payment of claims.

Unobligated balance. The sum remaining after deducting the cumulative obligations from either (a) apportionments or (b) amounts available for obligation.

Working capital fund. A revolving fund established to finance (a) inventories of supplies through the use of a stock fund, or (b) industrial type activities through the use of an industrial fund.

Working fund. A fund established by law to receive and disburse advances made from other agencies or bureaus. Established under Section 601 of the Economy Act (31 U.S.C. 686). The term does not include revolving funds.

DEPARTMENT OF THE NAVY
Office of the Secretary
Washington 25, D. C.

SECNAV 5400.4
NCD
18 November 1953

SECNAV INSTRUCTION 5400.4

From: Secretary of the Navy
To: All Ships and Stations

Subj: Establishment of comptroller organizations in bureaus, headquarters, offices, and field activities of the Navy and Marine Corps

Encl: (1) Departmental, headquarters, and field comptrollers

1. Purpose. The purpose of this Instruction is to promulgate policies on the establishment of comptroller organizations in the bureaus, headquarters, offices, major administrative fleet commands, and field activities of the Navy and Marine Corps. In addition, enclosure (1) contains functional organization charts and elaboration of duties which may be used as a guide in establishing comptroller organizations.

2. Policy. It is the policy of the Secretary of the Navy to establish comptroller organizations in all bureaus and offices, Navy Department, Headquarters, Marine Corps, and major activities of the Navy and Marine Corps. It is desired that the program of establishment currently in progress be accelerated as rapidly as may be practicable. Establishment of comptrollers to perform the functions described in enclosure (1) is strongly recommended as a major step towards improved financial management as well as a direct service to command authority. Enclosure (1) sets forth criteria for determining where comptroller organizations should be established.

3. Implementation. The chiefs of bureaus and offices, Navy Department, the Commandant of the Marine Corps, and appropriate administrative commanders may within their discretion direct the establishment of a comptroller organization for an activity under their command or management control, or authorize the commanding officer to establish a comptroller organization on his own initiative. Activities desiring assistance in establishing and staffing comptroller organizations should direct requests to the appropriate commander, management bureau or office, who may at his discretion request assistance from the Navy Comptroller. For the purpose of this Instruction, field activities include major administrative fleet and Marine Corps commands.

THOMAS S. GATES, Jr.
Acting Secretary of the Navy

DEPARTMENTAL, HEADQUARTERS, AND FIELD COMPTROLLERS

I. Introduction

A. Basic Concept. Most of the comptroller functions are being performed in varying degrees in all Navy bureaus and field activities. The new elements introduced by the concept of comptrollership as it is practiced in the Department of the Navy are:

1. Emphasizing the constructive aspects of the reporting, analysis and interpretative functions as distinct from the purely recording function.

2. Improving budget formulation and execution through the collection and utilization of accounting and program data at all organizational levels.

3. Coordinating and integrating the several comptroller functions to provide concisely to the commanding officer the basic data essential for efficient, economical, and effective management.

B. Coordinated Staff Service. The comptroller must provide technical guidance and direction to the conduct of specific fact-collection systems in the areas of budget formulation and execution, program analysis, accounting, and progress reports and statistics. The fully coordinated staff service provided by the comptroller should relieve the commanding officer of much of the burden of detailed fact collection, coordination, and analysis. When properly performed, comptrollership will enable the commanding officer to spend more of his time in the areas of policy formulation, decision, and program direction.

C. Where established. Comptroller organizations should be established in bureaus, offices, and field activities where the size, scope, and complexity of fiscal operations justify the need. In general:

1. The comptroller will make his maximum contribution to management in production and large service activities such as shipyards, ordnance plants, supply centers, training centers, bases, Class A air stations, and in MSTS headquarters.

2. Comptroller organizations are not considered appropriate for such field activities as Branch Hydrographic Offices, Inspectors of Naval Material, Recruiting Stations, Naval Net Depots, Area Wage and Classification Offices, District Records Management Centers, etc.

D. Comptroller Review.

1. The Comptroller of the Navy will review comptroller organizations for adequacy and conformance with standard functional patterns. Internal audit, reports of inspection, and operating knowledge, in addition to other sources of information will be utilized to determine the adequacy and effectiveness of organization for financial management, including comptroller organizations. He will advise management officials of changes which may be required to achieve improved financial management.

II. Functions of Comptrollership

A. Basic Functions. The basic functions of comptrollership should be performed by or for every bureau, office, and field activity, regardless of whether or not a formal comptroller organization is established. These functions are as follows:

1. Integrated System for Financial Management. Establishes, coordinates, and maintains an integrated system of staff service that will provide to the commanding officer the factual data essential for effective management control of operations. Provides technical guidance and direction in financial matters throughout the organization, as a staff service to the commanding officer. This integrated system will provide for a classification of the programs administered and their objectives; for an inventory of budget plans and program schedules that should be kept current; for processes of budget formulation, review, and execution; for the collection of obligation, expenditure, cost, and other accounting and operating statistics data, and for a review of program performance and of the pattern of resources utilization. Promotes economy and efficiency in the performance of assigned programs.

2. Budgeting. Provides guidance and instructions for preparation of the budget; reviews resources requirements and justifications for the various programs and prepares estimates of the cost thereof; compiles the annual budget; in connection with the budget process, recommends allocation of funds and civilian personnel to programs within the command, and revisions thereof as required; analyzes variances from the budget plan and recommends remedial action where appropriate; determines areas where desirable financial reprogramming may be effected; initiates action to adjust financial plans to available funds and, when required, submits requests for additional funds with justifications.

3. Accounting and Disbursing. Within the framework of the Navy-wide accounting system and policies: at the bureau level, is responsible for accounting for appropriations and funds under the control of the bureau or office and for the maintenance of records relating thereto; for fiscal reporting, evaluation and analysis, and for devising and recommending instructions and procedures relative to field accounting operations under its management control. At the field activity level, maintains required accounting records, including records of obligations and expenditures against allotments and project orders; prepares accounting reports for local management and for submission to higher authority; conducts cost accounting operations; maintains plant property records and financial records of inventory transactions of all classes of property, and submits all property returns; supervises and conducts timekeeping operations; maintains civilian pay, leave and retirement records and prepares civilian pay rolls; pays civilian pay rolls, and when authorized, pays public vouchers and military pay rolls and issues savings bonds; prepares and submits disbursing reports and returns.

4. Program Analysis. Measures and analyzes performance, program status and trends against the approved programs and budget plans and schedules, and reports the results of operations to responsible levels of command. The system described in 1. above provides for the collection of data that will permit this kind of appraisal and detection of variances from the operating and budget plan so that management can take the appropriate action. This function of comptrollership is considered an extremely important staff service to the commanding officer who has the responsibility for decisions. Analyses and comparisons should be timely and presented with recommendations for action or decision so that funds may be used effectively and economically.

5. Progress Reports and Statistics. Develops guides and criteria for the collection and coordination of statistical data and prepares special statistics as required by the responsible levels of command. Serves as coordinator and official clearance center for the release of statistical data. Each organizational component will have distinctive requirements for periodic progress reports and for special statistical data on the programs it administers. Statistical reports should be rendered in time and in a manner that will insure optimum use by management.

III. Organization and Staffing

A. Organization.

1. General. In the installation of a comptroller organization, the details of organization should be tailored to fit the local need. The coordination and integration of the several specialties such as program analysis, budgeting, accounting, internal controls, etc., should be achieved so that they work harmoniously together in providing a complete service in the financial management area to the commanding officer.

2. Functional Charts. Functional charts for bureau and field activities, on pages 5 and 6, are provided for use as patterns to indicate the functions that should be included in the comptroller organization. In preparing these charts, the functional boxes purposely were not labeled divisions, branches, etc. In large organizations, specialization may be necessary and each of the functions may be located in separate organizational units under the comptroller. The progress reports and statistics function, in small organizations, may be combined, e.g., with the budget function. Subdivisions under Accounting and Disbursing may be combined or separated according to local needs. The functional charts should be considered as guides.

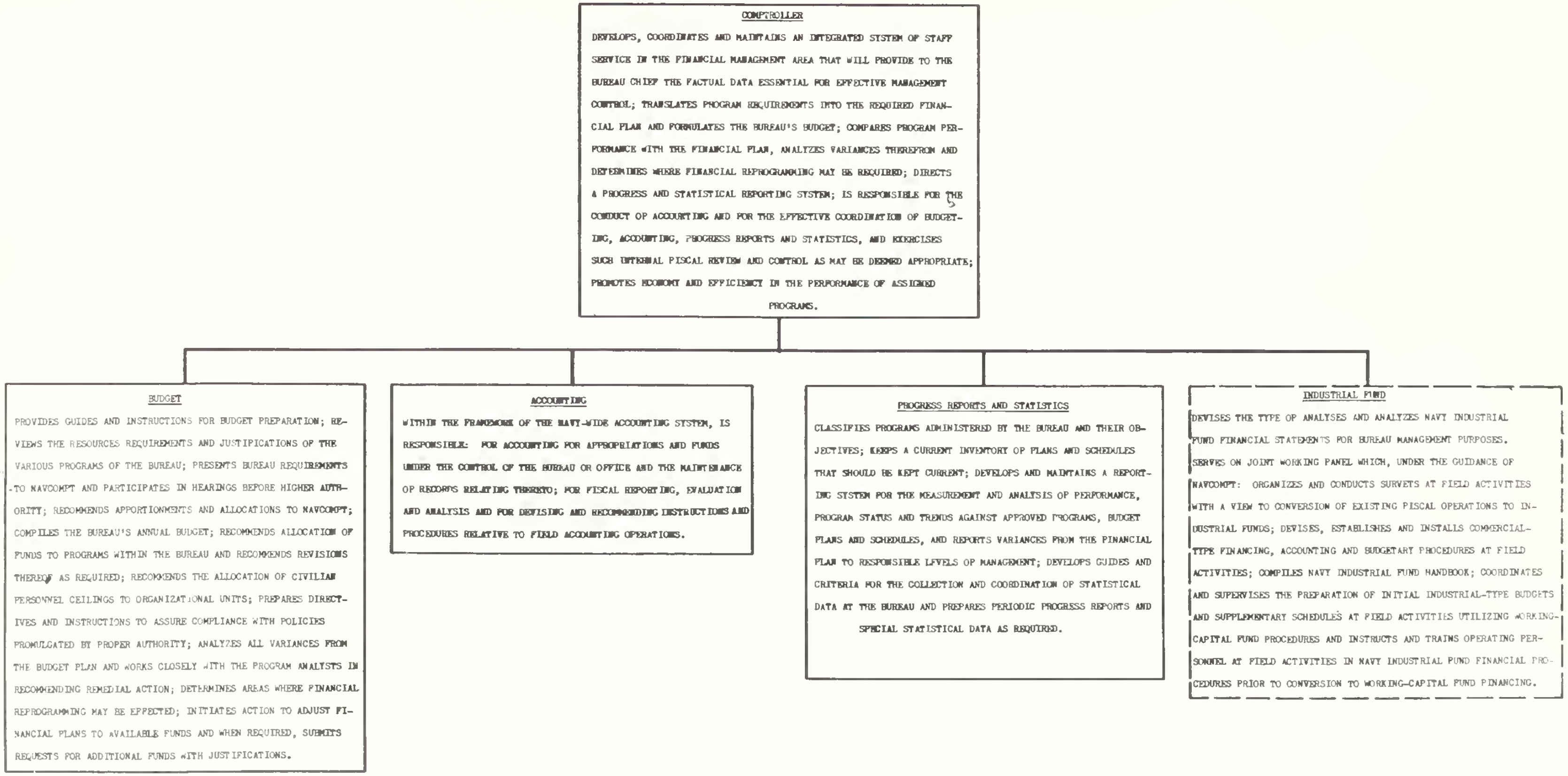
3. Organizational Status. The comptroller should report directly to the bureau chief or activity commander in order that the greatest potential value may be realized from the staff services performed. The commanding officer (Commander, Commandant, etc.) is fully responsible for all actions of his organization. The comptroller operates in a staff capacity and is responsible to the commander served, in the same manner as the Navy Comptroller is responsible to the Secretary of the Navy. The comptroller, in addition to directing the internal operations of his own organization, has a responsibility for interpreting program and cost data, etc., and acting as a technical advisor on the financial aspects of operations reflecting past management decisions or current problems. Accordingly, he must be responsive to the needs of management and he must anticipate the future requirements of current programs with the perspective of achieving program objectives with economy and efficiency. The comptroller's activities have an impact on the organization only when implemented by command authority. While the comptroller reports on operating results as interpreted from data compiled under his direction, his operating decisions are confined basically to the work of his immediate organization. He recommends to management, but does not make management decisions. Accordingly, management should look upon the comptroller as a continuing source of ideas and advice on managerial problems.

B. Staffing.

1. General. The mere establishment of a position designated as comptroller, or the adoption of a particular administrative mechanism,

COMPTROLLER FUNCTIONS

Bureau or Office



COMPTROLLER

DEVELOPS, COORDINATES AND MAINTAINS AN INTEGRATED SYSTEM OF STAFF SERVICE IN THE FINANCIAL MANAGEMENT AREA THAT WILL PROVIDE TO THE BUREAU CHIEF THE FACTUAL DATA ESSENTIAL FOR EFFECTIVE MANAGEMENT CONTROL; TRANSLATES PROGRAM REQUIREMENTS INTO THE REQUIRED FINANCIAL PLAN AND FORMULATES THE BUREAU'S BUDGET; COMPARES PROGRAM PERFORMANCE WITH THE FINANCIAL PLAN, ANALYZES VARIANCES THEREFROM AND DETERMINES WHERE FINANCIAL REPROGRAMMING MAY BE REQUIRED; DIRECTS A PROGRESS AND STATISTICAL REPORTING SYSTEM; IS RESPONSIBLE FOR THE CONDUCT OF ACCOUNTING AND FOR THE EFFECTIVE COORDINATION OF BUDGETING, ACCOUNTING, PROGRESS REPORTS AND STATISTICS, AND EXERCISES SUCH INTERNAL FISCAL REVIEW AND CONTROL AS MAY BE DEEMED APPROPRIATE; PROMOTES ECONOMY AND EFFICIENCY IN THE PERFORMANCE OF ASSIGNED PROGRAMS.

BUDGET

PROVIDES GUIDES AND INSTRUCTIONS FOR BUDGET PREPARATION; REVIEWS THE RESOURCES REQUIREMENTS AND JUSTIFICATIONS OF THE VARIOUS PROGRAMS OF THE BUREAU; PRESENTS BUREAU REQUIREMENTS TO NAVCOMPT AND PARTICIPATES IN HEARINGS BEFORE HIGHER AUTHORITY; RECOMMENDS APPORTIONMENTS AND ALLOCATIONS TO NAVCOMPT; COMPILES THE BUREAU'S ANNUAL BUDGET; RECOMMENDS ALLOCATION OF FUNDS TO PROGRAMS WITHIN THE BUREAU AND RECOMMENDS REVISIONS THEREOF AS REQUIRED; RECOMMENDS THE ALLOCATION OF CIVILIAN PERSONNEL CEILINGS TO ORGANIZATIONAL UNITS; PREPARES DIRECTIVES AND INSTRUCTIONS TO ASSURE COMPLIANCE WITH POLICIES PROMULGATED BY PROPER AUTHORITY; ANALYZES ALL VARIANCES FROM THE BUDGET PLAN AND WORKS CLOSELY WITH THE PROGRAM ANALYSTS IN RECOMMENDING REMEDIAL ACTION; DETERMINES AREAS WHERE FINANCIAL REPROGRAMMING MAY BE EFFECTED; INITIATES ACTION TO ADJUST FINANCIAL PLANS TO AVAILABLE FUNDS AND WHEN REQUIRED, SUBMITS REQUESTS FOR ADDITIONAL FUNDS WITH JUSTIFICATIONS.

ACCOUNTING

WITHIN THE FRAMEWORK OF THE NAVY-WIDE ACCOUNTING SYSTEM, IS RESPONSIBLE: FOR ACCOUNTING FOR APPROPRIATIONS AND FUNDS UNDER THE CONTROL OF THE BUREAU OR OFFICE AND THE MAINTENANCE OF RECORDS RELATING THERETO; FOR FISCAL REPORTING, EVALUATION AND ANALYSIS AND FOR DEVISING AND RECOMMENDING INSTRUCTIONS AND PROCEDURES RELATIVE TO FIELD ACCOUNTING OPERATIONS.

PROGRESS REPORTS AND STATISTICS

CLASSIFIES PROGRAMS ADMINISTERED BY THE BUREAU AND THEIR OBJECTIVES; KEEPS A CURRENT INVENTORY OF PLANS AND SCHEDULES THAT SHOULD BE KEPT CURRENT; DEVELOPS AND MAINTAINS A REPORTING SYSTEM FOR THE MEASUREMENT AND ANALYSIS OF PERFORMANCE, PROGRAM STATUS AND TRENDS AGAINST APPROVED PROGRAMS, BUDGET PLANS AND SCHEDULES, AND REPORTS VARIANCES FROM THE FINANCIAL PLAN TO RESPONSIBLE LEVELS OF MANAGEMENT; DEVELOPS GUIDES AND CRITERIA FOR THE COLLECTION AND COORDINATION OF STATISTICAL DATA AT THE BUREAU AND PREPARES PERIODIC PROGRESS REPORTS AND SPECIAL STATISTICAL DATA AS REQUIRED.

INDUSTRIAL FUND

DEVISES THE TYPE OF ANALYSES AND ANALYZES NAVY INDUSTRIAL FUND FINANCIAL STATEMENTS FOR BUREAU MANAGEMENT PURPOSES. SERVES ON JOINT WORKING PANEL WHICH, UNDER THE GUIDANCE OF NAVCOMPT: ORGANIZES AND CONDUCTS SURVEYS AT FIELD ACTIVITIES WITH A VIEW TO CONVERSION OF EXISTING FISCAL OPERATIONS TO INDUSTRIAL FUNDS; DEVISES, ESTABLISHES AND INSTALLS COMMERCIAL-TYPE FINANCING, ACCOUNTING AND BUDGETARY PROCEDURES AT FIELD ACTIVITIES; COMPILES NAVY INDUSTRIAL FUND HANDBOOK; COORDINATES AND SUPERVISES THE PREPARATION OF INITIAL INDUSTRIAL-TYPE BUDGETS AND SUPPLEMENTARY SCHEDULES AT FIELD ACTIVITIES UTILIZING WORKING-CAPITAL FUND PROCEDURES AND INSTRUCTS AND TRAINS OPERATING PERSONNEL AT FIELD ACTIVITIES IN NAVY INDUSTRIAL FUND FINANCIAL PROCEDURES PRIOR TO CONVERSION TO WORKING-CAPITAL FUND FINANCING.

NAVCOMPT 1 September 1953

COMPTROLLER FUNCTIONS
Field Activity

COMPTROLLER

DEVELOPS, COORDINATES AND MAINTAINS AN INTEGRATED SYSTEM OF STAFF SERVICE IN THE FINANCIAL MANAGEMENT AREA THAT WILL PROVIDE TO THE COMMANDING OFFICER THE FACTUAL DATA ESSENTIAL FOR EFFECTIVE MANAGEMENT CONTROL; TRANSLATES PROGRAM REQUIREMENTS INTO THE REQUIRED FINANCIAL PLAN AND FORMULATES THE ACTIVITY'S BUDGET; COMPARES PROGRAM PERFORMANCE WITH THE FINANCIAL PLAN, ANALYZES VARIANCES THEREFROM AND DETERMINES WHERE FINANCIAL ADJUSTMENTS MAY BE REQUIRED; DIRECTS A PROGRESS AND STATISTICAL REPORTING SYSTEM; IS RESPONSIBLE FOR THE CONDUCT OF ACCOUNTING AND FOR THE EFFECTIVE COORDINATION OF BUDGETING, ACCOUNTING, PROGRESS REPORTS AND STATISTICS, AND EXERCISES SUCH INTERNAL FISCAL REVIEW AND CONTROL AS MAY BE DEEMED APPROPRIATE; PROMOTES ECONOMY AND EFFICIENCY IN THE PERFORMANCE OF ASSIGNED PROGRAMS.

INTERNAL REVIEW

(NOTE: THIS BLOCK APPLIES TO LARGE ACTIVITIES, SUCH AS SHIPYARDS, WHERE AN INTERNAL REVIEW FUNCTION MAY BE OF SUFFICIENT MAGNITUDE TO WARRANT THE ESTABLISHMENT OF A SEPARATE STAFF.)

REVIEWS AND EVALUATES THE SYSTEM OF CHECKS AND BALANCES USED FOR INTERNAL ACCOUNTING CONTROL, INTERNAL RECORDS, AND FISCAL PROCEDURES IN TERMS OF ADEQUACY AND EFFECTIVENESS AND DEVELOPS REVISIONS AND RECOMMENDS REMEDIAL ACTION WHEN APPROPRIATE; PERFORMS LOCAL FISCAL PLANNING FUNCTIONS; CONDUCTS PERIODIC EXAMINATIONS OF ACCOUNTING AND FINANCIAL STATISTICAL REPORTING; BASED ON SUCH EXAMINATIONS, RECOMMENDS REMEDIAL ACTION TO CORRECT DEFECTS AND TO IMPROVE EFFECTIVENESS OF ACCOUNTING AND FINANCIAL REPORTING OPERATIONS; DEVELOPS AND SUPERVISES PROGRAMS FOR CHECKING LABOR AND MATERIAL DISTRIBUTION.

BUDGETING

PROVIDES GUIDES AND INSTRUCTIONS FOR BUDGET PREPARATION; REVIEWS THE RESOURCES REQUIREMENTS AND JUSTIFICATIONS OF THE VARIOUS PROGRAMS OF THE COMMAND; COMPILES THE COMMAND'S ANNUAL BUDGET; RECOMMENDS DISTRIBUTION OF FUNDS UNDER ALLOTMENTS AND PROJECT ORDERS TO PROGRAMS WITHIN THE COMMAND AND RECOMMENDS REVISIONS THEREOF AS REQUIRED; RECOMMENDS THE ALLOCATION OF CIVILIAN PERSONNEL CEILINGS TO ORGANIZATIONAL UNITS; PREPARES DIRECTIVES AND INSTRUCTIONS TO ASSURE COMPLIANCE WITH POLICIES PROMULGATED BY PROPER AUTHORITY; ANALYZES ALL VARIANCES FROM THE BUDGET PLAN AND WORKS CLOSELY WITH THE PROGRAM ANALYSTS IN RECOMMENDING REMEDIAL ACTION; RECOMMENDS AREAS WHERE FINANCIAL ADJUSTMENTS AND SAVINGS MAY BE EFFECTED; INITIATES ACTION TO ADJUST FINANCIAL PLANS TO AVAILABLE FUNDS AND WHEN REQUIRED, SUBMITS REQUESTS FOR ADDITIONAL FUNDS WITH JUSTIFICATIONS.

ACCOUNTING AND DISBURSING

MAINTAINS REQUIRED ACCOUNTING RECORDS, INCLUDING RECORDS OF OBLIGATIONS AND EXPENDITURES AGAINST ALLOTMENTS AND PROJECT ORDERS; PREPARES ACCOUNTING REPORTS FOR LOCAL MANAGEMENT AND FOR SUBMISSION TO HIGHER AUTHORITY; CONDUCTS COST ACCOUNTING OPERATIONS; MAINTAINS PLANT PROPERTY ACCOUNT RECORDS AND STORES INVENTORY LEDGERS AND RECORDS, AND SUBMITS ALL PROPERTY RETURNS; SUPERVISES AND CONDUCTS TIMEKEEPING OPERATIONS; MAINTAINS CIVILIAN PAY, LEAVE, AND RETIREMENT RECORDS AND PREPARES CIVILIAN PAYROLLS; PAYS CIVILIAN PAYROLLS, AND WHEN AUTHORIZED, PAYS PUBLIC VOUCHERS AND MILITARY PAYROLLS AND ISSUES SAVINGS BONDS; PREPARES AND SUBMITS DISBURSING REPORTS AND RETURNS.

PROGRESS REPORTS AND STATISTICS

CLASSIFIES PROGRAMS ADMINISTERED BY THE COMMAND AND THEIR OBJECTIVES; KEEPS A CURRENT INVENTORY OF PLANS AND SCHEDULES THAT SHOULD BE KEPT CURRENT; DEVELOPS AND MAINTAINS A REPORTING SYSTEM FOR THE MEASUREMENT AND ANALYSIS OF PERFORMANCE, PROGRAM STATUS AND TRENDS AGAINST APPROVED PROGRAMS, BUDGET PLANS AND SCHEDULES, AND REPORTS VARIANCES FROM THE FINANCIAL PLAN TO THE COMPTROLLER AND TO RESPONSIBLE LEVELS OF COMMAND; DEVELOPS GUIDES AND CRITERIA FOR THE COLLECTION AND COORDINATION OF STATISTICAL DATA AT THE ACTIVITY AND PREPARES PERIODIC PROGRESS REPORTS AND SPECIAL STATISTICAL DATA AS REQUIRED.

NAVCOMPT 1 September 1953

will not, in itself, insure the achievement of these objectives. The full potential of comptrollership will be realized only if management secures competent personnel to staff the function and then insures that the comptroller is providing a complete, concise, and effective service. The prime criterion of effective performance by a comptroller located in a bureau, office, or activity will be his ability to assist his commanding officer in the economical, efficient, and timely attainment of assigned missions.

2. Qualifications.

a. The complex and continuing nature of the comptroller function is such that the qualifications of an officer or civilian appointed as the comptroller are most important to the effective discharge of his responsibilities. The officer or civilian so appointed should have had broad experience with operating programs and problems and general management responsibilities. He should have keen analytical ability and be capable of making discriminating judgments as well as be able to express concisely and effectively his conclusions and recommendations in either written or verbal form.

b. Comptroller billets will provide training to officers and civilians as part of their development toward high leadership roles in the Navy. A broad knowledge of the comptroller function should be coupled with experience in, and knowledge of the operations carried on in a specific kind of naval program, such as shipbuilding, aircraft, etc. This may properly result in the ordering to duty of an aviator as comptroller in the Bureau of Aeronautics, a civil engineer as comptroller in the Bureau of Yards and Docks, a line officer as comptroller in the Bureau of Naval Personnel, an engineering officer as comptroller in the Bureau of Ships, and an officer of the Supply Corps as comptroller in the Bureau of Supplies and Accounts. When officers occupy the comptroller position, it is considered highly desirable that a civilian assistant be assigned in the comptroller organizations in order to provide specialized knowledge and continuity to the conduct of comptroller functions.

IV. Relationships

Technical Control. The Navy Comptroller's authority and responsibility stem from statute and from the Secretary of the Navy, and are exercised as technical control through regularly established command channels. Technical control is the specialized or professional guidance and direction exercised by an authority of the Naval Establishment in technical matters. The professional guidance and direction exercised by the Comptroller of the Navy is promulgated by the pertinent volume of the Comptroller Manual, by NAVCOMPT Instructions and

NAVCOMPT Notices. Additional technical directives applicable to a specific activity or group of activities are transmitted via the normal chain of administrative command.

V. Elaboration of Duties

A. Introduction. A description of budget, accounting, and progress reports and statistics duties at bureau and field activity levels is provided to illustrate the nature of this work in a more detailed manner.

B. Bureau, Headquarters and Office Level.

1. Budget. The budget function consists of the following duties:

   a. Develops and recommends policy in budgetary matters.

   b. Provides guidance and instructions for preparation of budget estimates.

   c. Reviews budget estimates submitted by component organizations and recommends approval, revision or disapproval of items and program estimates to the chief of the bureau or office.

   d. Prepares budget estimates and justifications for submission to the Navy Comptroller and higher authority.

   e. Develops and maintains a system of budgetary controls to assure: that the proper balance exists among approved programs and available funds; that reprogramming is effected where essential, and that funds are administered in accordance with law and the administrative policies and regulations of higher authority.

   f. Allocates appropriated funds to programs.

   g. Prepares apportionment requests for appropriations, funds, and contract authority.

   h. Issues allotments, project orders or approval of financial aspects of contract requests.

   i. Reviews the use of funds by program to insure compliance with the bureau or office budget policy, and adjusts the allocation of funds to programs as required.

j. Analyzes program performance in comparison to the budget plan, and studies variances from the plan in terms of its effect on the funding of programs; prepares recommendations for remedial action where appropriate.

k. Provides the bureau chief and planning personnel with forecasts of budgetary position and problems related thereto; reviews and coordinates the budgetary aspects of program planning.

l. Interprets or obtains interpretation of language or substantive law relative to the availability of appropriated funds for specified programs or purposes.

m. Analyzes workload, expenditure and related data in reviewing personnel estimates of divisions and field activities; prepares quarterly estimates of civilian personnel requirements for submission to the Navy Comptroller with appropriate justifications.

n. Allocates civilian personnel ceilings within the bureau when assigned this responsibility.

2. Accounting.

a. Duties. The accounting function consists of the following duties:

(1) Operates the appropriation accounting system.

(2) Maintains official ledgers and subsidiary records covering the funds for which responsible.

(3) Reconciles the official records with those maintained by the Comptroller of the Navy.

(4) Reviews and analyzes proposed and new legislation and regulations, policies and procedures issued by higher authority and the implementation thereof when applicable.

(5) Develops and recommends appropriation and cost accounting systems and related procedures peculiar to the organization.

(6) Develops internal procedures for the issuance of commitment and obligation documents.

(7) Prepares and distributes periodic and recurring accounting reports portraying the status of funds at all required levels.

(8) Conducts a continuous review of accounting reports to improve their usefulness to management and budget analysts and to eliminate those no longer required.

(9) Prepares reports and forecasts of reimbursement to permit proper management of allocations.

(10) Prepares claims for reimbursement and follow-up to insure receipt of payment.

(11) Negotiates with other Government departments concerning the development of and accounting for cross-service transactions.

(12) Maintains allotment accounting for intra-bureau and open allotments.

(13) Maintains records of expenditures by end use (expenditure account) and object for which spent (object class).

(14) Conducts liaison with other organizational units within the bureau and comparable organization units of other bureaus and departments.

(15) As authorized within the framework of the Navy Accounting system and policies:

  (a) Issues manuals, directives, and instructions pertaining to field accounting procedures;

  (b) Develops accounting and fiscal reports to be prepared by field activities to provide information for management supplementary to that provided by the Navy-wide accounting system.

(16) Analyzes fiscal reports and accounting returns of field activities and makes field visits to evaluate the effectiveness of systems and procedures.

b. Organization. Organizationally, the Accounting Branch may be responsible for accounting for appropriations and funds under the control of the bureau or office and the maintenance of records related thereto; for fiscal reporting, evaluation and analysis, and for devising and recommending instructions and procedures relative to field accounting operations. To properly separate functions and responsibilities, the branch may be subdivided into an Accounts and Procedures Section and a Field Accounting Section.

3. Progress Reports and Statistics. The progress reports and statistics function consists of the following duties:

a. Develops and/or coordinates within the bureau reporting systems from which data are derived as a basis for quantitative analysis of performance against approved programs, budget plans, and schedules.

b. Maintains records on budget plans and schedules, examines trends and program status, and reports variances from plans to responsible levels of management.

c. Provides a central coordination point for all budgetary and fiscal statistical data released to higher authority.

d. Develops guides and criteria to assist field activities in obtaining statistics reported to the bureau.

e. Prepares recurring progress reports for top management for all major programs as related to the financial plan, highlighting unusual situations.

f. Performs special statistical analyses as required.

g. Serves as liaison with Navy Comptroller on matters relating to program reports and statistics.

C. Activity Level.

1. Budget. The budget function consists of the following duties:

a. Provides guidance and instructions for preparation of the activity budget estimates.

b. Reviews budget estimates submitted by components and recommends approval, revision, or disapproval of items or estimates to the commanding officer.

c. Prepares activity's budget estimates and justifications.

d. Prepares operating budget reflecting approved program plans and schedules.

e. Controls fund authorization to the activity and recommends revisions, modifications, or reprogramming, as appropriate, to higher authority.

f. Recommends allocations of civilian personnel to departments and programs within the activity.

g. Reviews program performance against the funding plan, analyzes overhead variances and other deviations therefrom, and recommends remedial action where appropriate.

2. Accounting and Disbursing.

a. Duties. The accounting and disbursing function consists of the following duties:

(1) Maintains required accounting records, including records of obligations and expenditures against allotments and project orders.

(2) Prepares accounting reports for local management and for submission to higher authority.

(3) Conducts cost accounting operations.

(4) Maintains plant property account records and stores inventory ledgers and records, and submits all property returns.

(5) Supervises and conducts timekeeping operations.

(6) Maintains civilian pay, leave, and retirement records, and prepares civilian pay rolls.

(7) Pays civilian pay rolls, and when authorized, pays public vouchers and military pay rolls and issues savings bonds.

(8) Prepares and submits disbursing reports and returns.

b. Organization. The Accounting and Disbursing Division may be subdivided into the Accounting Branch and the Disbursing Branch. To properly separate functions and responsibilities, the

Accounting Branch may be further subdivided into the Timekeeping, Pay Roll, Appropriations and Cost, Stores, and Machine Records Sections. The Disbursing Branch may be organized into sections for Military Pay, Public Vouchers, Fiscal and Savings Bonds, as required. For stations financed under the Navy Industrial Fund, the Pay Roll Branch may become a section of a General Accounting Branch which, with approval of the management bureau or office and the Comptroller of the Navy, is tailored to fit local requirements.

3. Progress Reports and Statistics. The progress reports and statistics function consists of the following duties:

a. Develops and/or coordinates within the activity reporting systems from which data are derived as a basis for quantitative analysis of performance against approved programs, budget plans, and schedules.

b. Maintains records on the budget plans and schedules, examines trends and program status, and reports variances from the plans to responsible levels of management at the activity.

c. Provides central coordination point primarily for all budgetary and fiscal statistical data released from the activity and for such other reports as may be specifically assigned.

d. Develops instructions and guides to assist offices within the activity in reporting data.

e. Prepares recurring progress reports for top management for all major programs administered by the activity as related to the financial plan, highlighting unusual situations.

f. Performs special statistical analyses as required.

4. Internal Review. At large installations, such as shipyards, an internal review function may be of sufficient magnitude to warrant the establishment of a separate staff. Such a review function consists of the following duties:

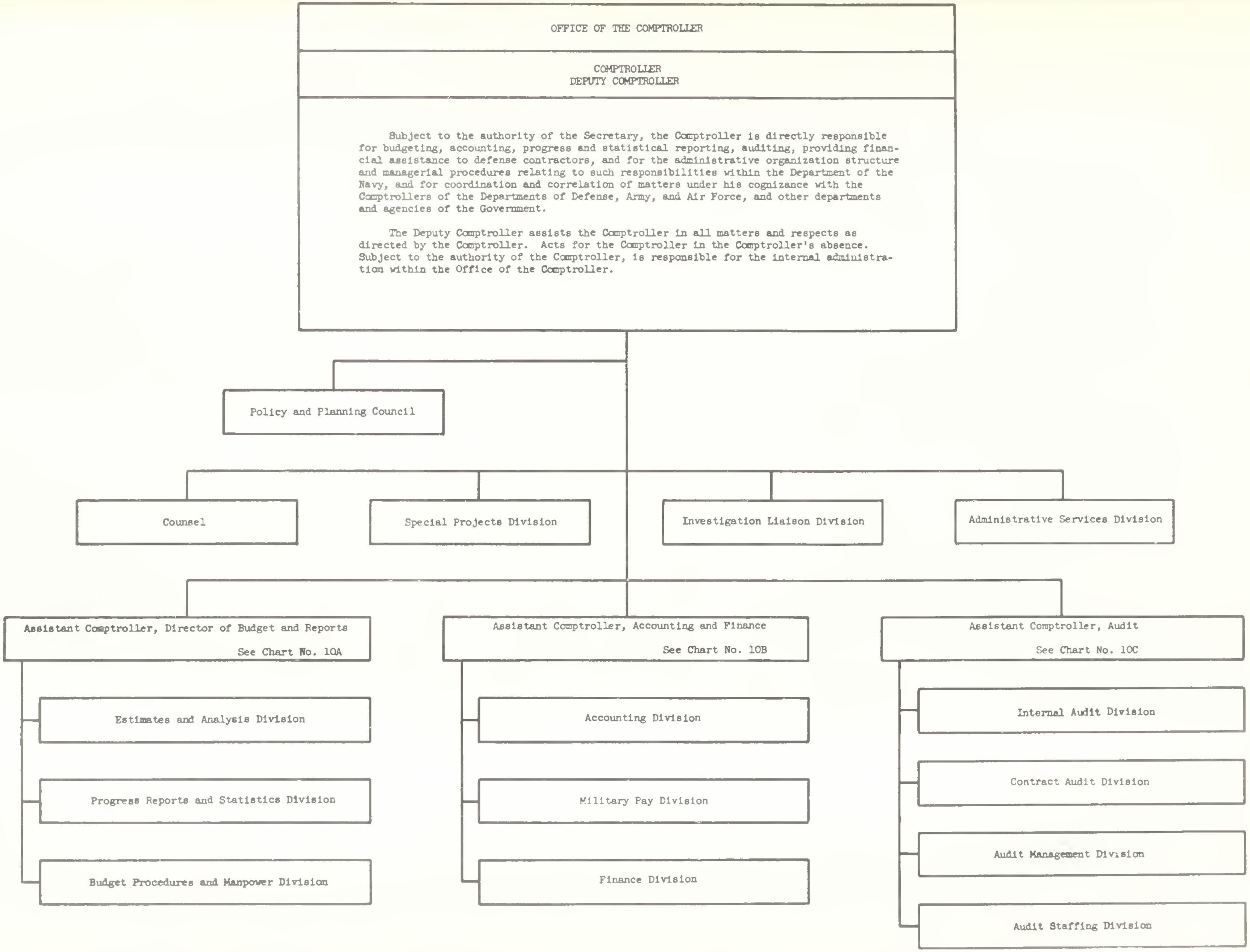
a. Reviews and evaluates the system of checks and balances used for internal accounting control, internal records, and fiscal procedures in terms of adequacy and effectiveness, and develops revisions and recommends remedial action when appropriate.

b. Conducts periodic examinations of accounting and financial statistical reporting; based on such examinations, recommends remedial action to correct defects and to improve effectiveness of accounting and financial reporting operations.

c. Develops and supervises programs for checking labor and material distribution.

d. Performs local fiscal planning.

e. Coordinates preparation of, reviews and maintains Comptroller Department regulations, orders, and bulletins, and makes recommendations for changes thereto.

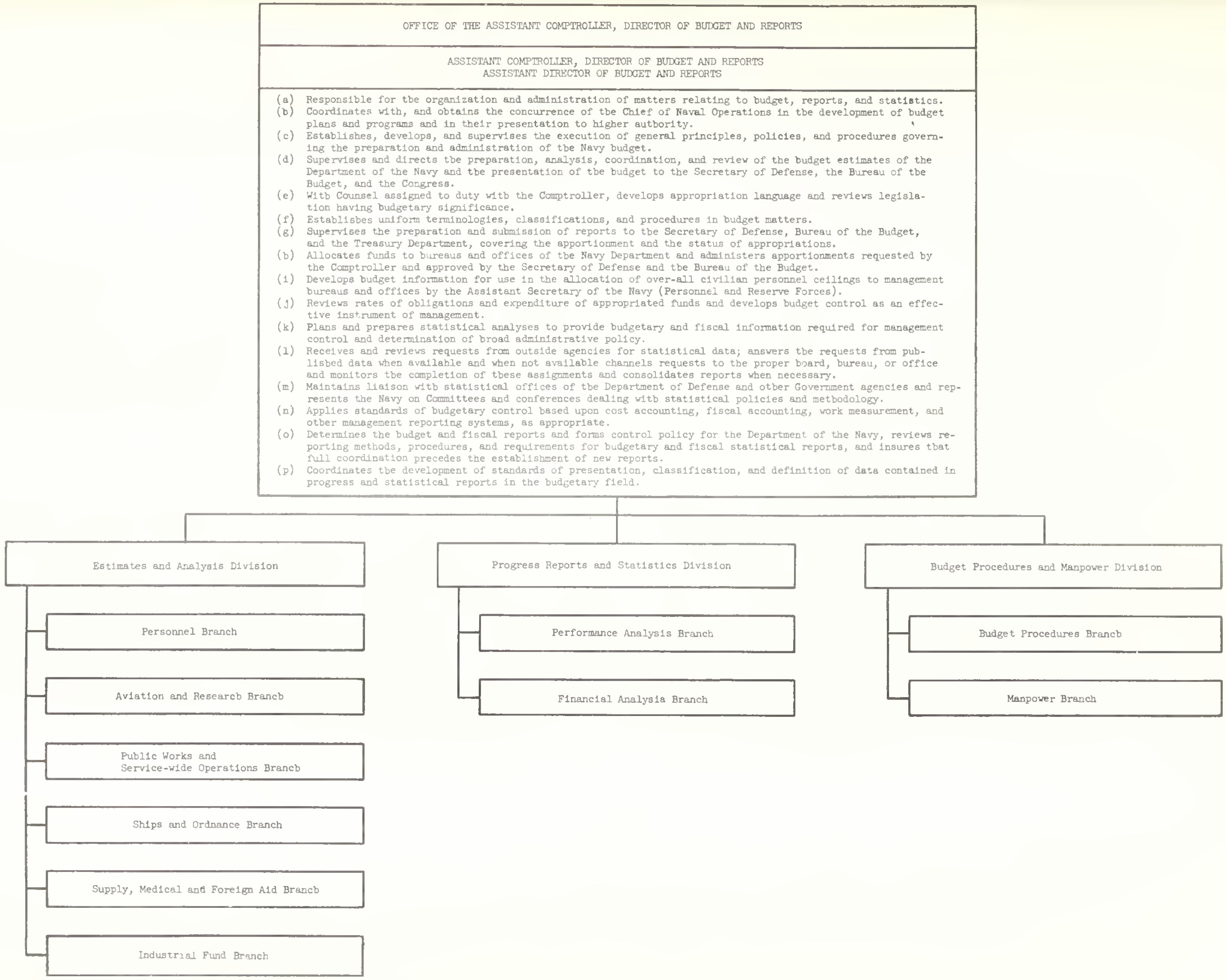

OFFICE OF THE COMPTROLLER
COMPTROLLER
DEPUTY COMPTROLLER
Policy and Planning Council
Counsel
Special Projects Division
Investigation Liaison Division
Administrative Services Division
Assistant Comptroller, Director of Budget and Reports
See Chart No. 10A
Estimates and Analysis Division
Progress Reports and Statistics Division
Budget Procedures and Manpower Division
Assistant Comptroller, Accounting and Finance
See Chart No. 10B
Accounting Division
Military Pay Division
Finance Division
Assistant Comptroller, Audit
See Chart No. 10C
Internal Audit Division
Contract Audit Division
Audit Management Division
Audit Staffing Division

Subject to the authority of the Secretary, the Comptroller is directly responsible for budgeting, accounting, progress and statistical reporting, auditing, providing financial assistance to defense contractors, and for the administrative organization structure and managerial procedures relating to such responsibilities within the Department of the Navy, and for coordination and correlation of matters under his cognizance with the Comptrollers of the Departments of Defense, Army, and Air Force, and other departments and agencies of the Government.

The Deputy Comptroller assists the Comptroller in all matters and respects as directed by the Comptroller. Acts for the Comptroller in the Comptroller's absence. Subject to the authority of the Comptroller, is responsible for the internal administration within the Office of the Comptroller.

Date: 21 August 1956	Approved: W. B. Franke	Title of Parent Office: Assistant Secretary of the Navy (Financial Management)	Title of Office: Office of the Comptroller of the Navy	Chart No. 10

APPENDIX C



OFFICE OF THE ASSISTANT COMPTROLLER, DIRECTOR OF BUDGET AND REPORTS

ASSISTANT COMPTROLLER, DIRECTOR OF BUDGET AND REPORTS
ASSISTANT DIRECTOR OF BUDGET AND REPORTS

(a) Responsible for the organization and administration of matters relating to budget, reports, and statistics.
(b) Coordinates with, and obtains the concurrence of the Chief of Naval Operations in the development of budget plans and programs and in their presentation to higher authority.
(c) Establishes, develops, and supervises the execution of general principles, policies, and procedures governing the preparation and administration of the Navy budget.
(d) Supervises and directs the preparation, analysis, coordination, and review of the budget estimates of the Department of the Navy and the presentation of the budget to the Secretary of Defense, the Bureau of the Budget, and the Congress.
(e) With Counsel assigned to duty with the Comptroller, develops appropriation language and reviews legislation having budgetary significance.
(f) Establishes uniform terminologies, classifications, and procedures in budget matters.
(g) Supervises the preparation and submission of reports to the Secretary of Defense, Bureau of the Budget, and the Treasury Department, covering the apportionment and the status of appropriations.
(h) Allocates funds to bureaus and offices of the Navy Department and administers apportionments requested by the Comptroller and approved by the Secretary of Defense and the Bureau of the Budget.
(i) Develops budget information for use in the allocation of over-all civilian personnel ceilings to management bureaus and offices by the Assistant Secretary of the Navy (Personnel and Reserve Forces).
(j) Reviews rates of obligations and expenditure of appropriated funds and develops budget control as an effective instrument of management.
(k) Plans and prepares statistical analyses to provide budgetary and fiscal information required for management control and determination of broad administrative policy.
(l) Receives and reviews requests from outside agencies for statistical data; answers the requests from published data when available and when not available channels requests to the proper board, bureau, or office and monitors the completion of these assignments and consolidates reports when necessary.
(m) Maintains liaison with statistical offices of the Department of Defense and other Government agencies and represents the Navy on Committees and conferences dealing with statistical policies and methodology.
(n) Applies standards of budgetary control based upon cost accounting, fiscal accounting, work measurement, and other management reporting systems, as appropriate.
(o) Determines the budget and fiscal reports and forms control policy for the Department of the Navy, reviews reporting methods, procedures, and requirements for budgetary and fiscal statistical reports, and insures that full coordination precedes the establishment of new reports.
(p) Coordinates the development of standards of presentation, classification, and definition of data contained in progress and statistical reports in the budgetary field.

Estimates and Analysis Division
Personnel Branch
Aviation and Research Branch
Public Works and Service-wide Operations Branch
Ships and Ordnance Branch
Supply, Medical and Foreign Aid Branch
Industrial Fund Branch
Progress Reports and Statistics Division
Performance Analysis Branch
Financial Analysis Branch
Budget Procedures and Manpower Division
Budget Procedures Branch
Manpower Branch

Date: 21 August 1956	Approved: W B Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Director of Budget and Reports	Chart No. 10A

OFFICE OF THE ASSISTANT COMPTROLLER, ACCOUNTING AND FINANCE

ASSISTANT COMPTROLLER, ACCOUNTING AND FINANCE

(a) Responsible for the organization and administration of matters relating to accounting and finance.

(b) Develops and supervises the execution of principles, policies, and procedures to be followed in fiscal, cost, capital and operating property accounting and working capital and management fund operations throughout the Department of the Navy.

(c) Prescribes the type and content of basic fiscal, cost, capital and operating property accounting records to be maintained by the bureaus and offices of the Department of the Navy.

(d) Develops uniform terminologies, classifications, and procedures in the areas covered in (b) and (c) above.

(e) Develops and supervises the execution of policies and procedures relating to the obligation, expenditure, and collection of funds administered by the Department of the Navy.

(f) Develops and prepares for publication recurring summary reports of a fiscal, cost, capital and operating property accounting nature and compiles special reports on these matters as required.

(g) Responsible for the administration of advance payments, guaranteed loans, and progress payments; coordinates and arranges for financing interdepartmental and intradepartmental programs.

(h) Coordinates and correlates all of the foregoing responsibilities with the Comptroller of the Department of Defense and with other Government agencies.

(i) Coordinates the fiscal aspects of the dependents' school program.

(j) Subject to the approval of the Treasury Department, authorizes the establishment of limited banking services at naval installations.

(k) Effects collection of debts arising from Navy contractual relationships, except amounts due under renegotiation.

(l) Exercises technical control over accounting and disbursing for military pay and allowances and travel allowances and over bonding of accountable officers.

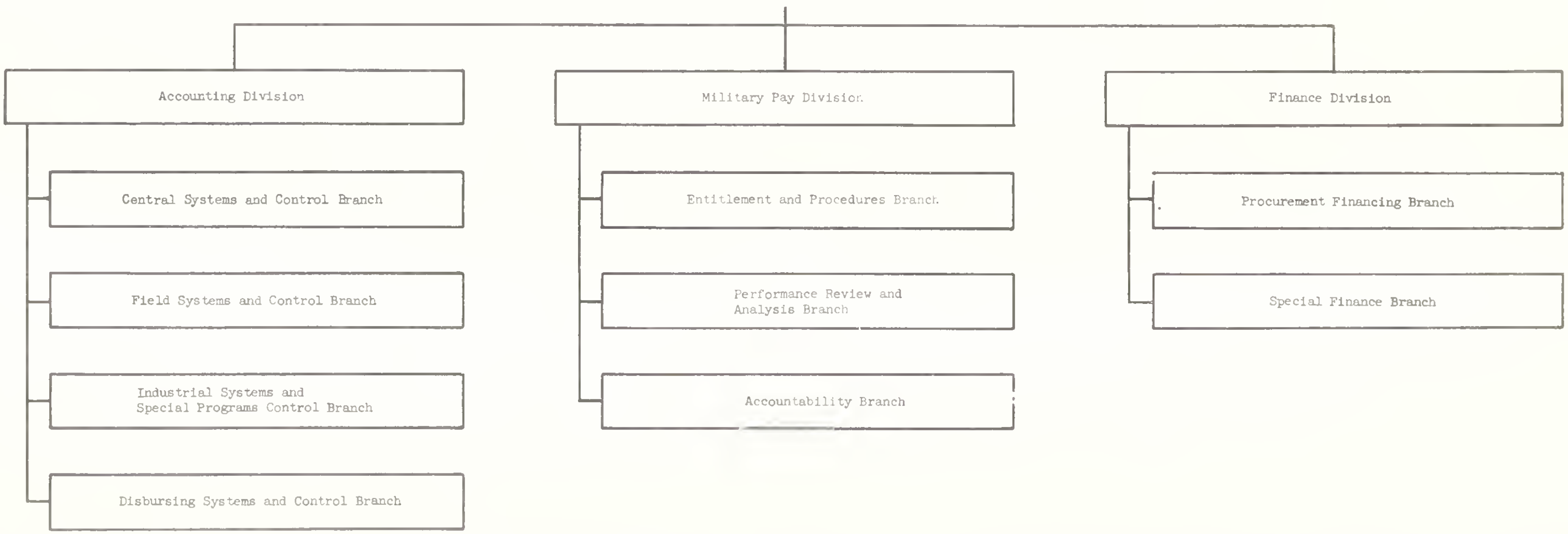
(m) Within a policy framework established by law, the Secretary, and other naval authorities to whom secretarial delegations have been made, promulgates and interprets regulations, instructions, and procedures concerning accounting and disbursing of military pay and allowances and travel allowances; reviews the effectiveness of procedures so as to maintain integrity and improve efficiency of the Navy Pay System.

(n) Proposes new or modifying legislation concerning military pay and allowances and travel allowances and comments on such proposals initiated elsewhere.

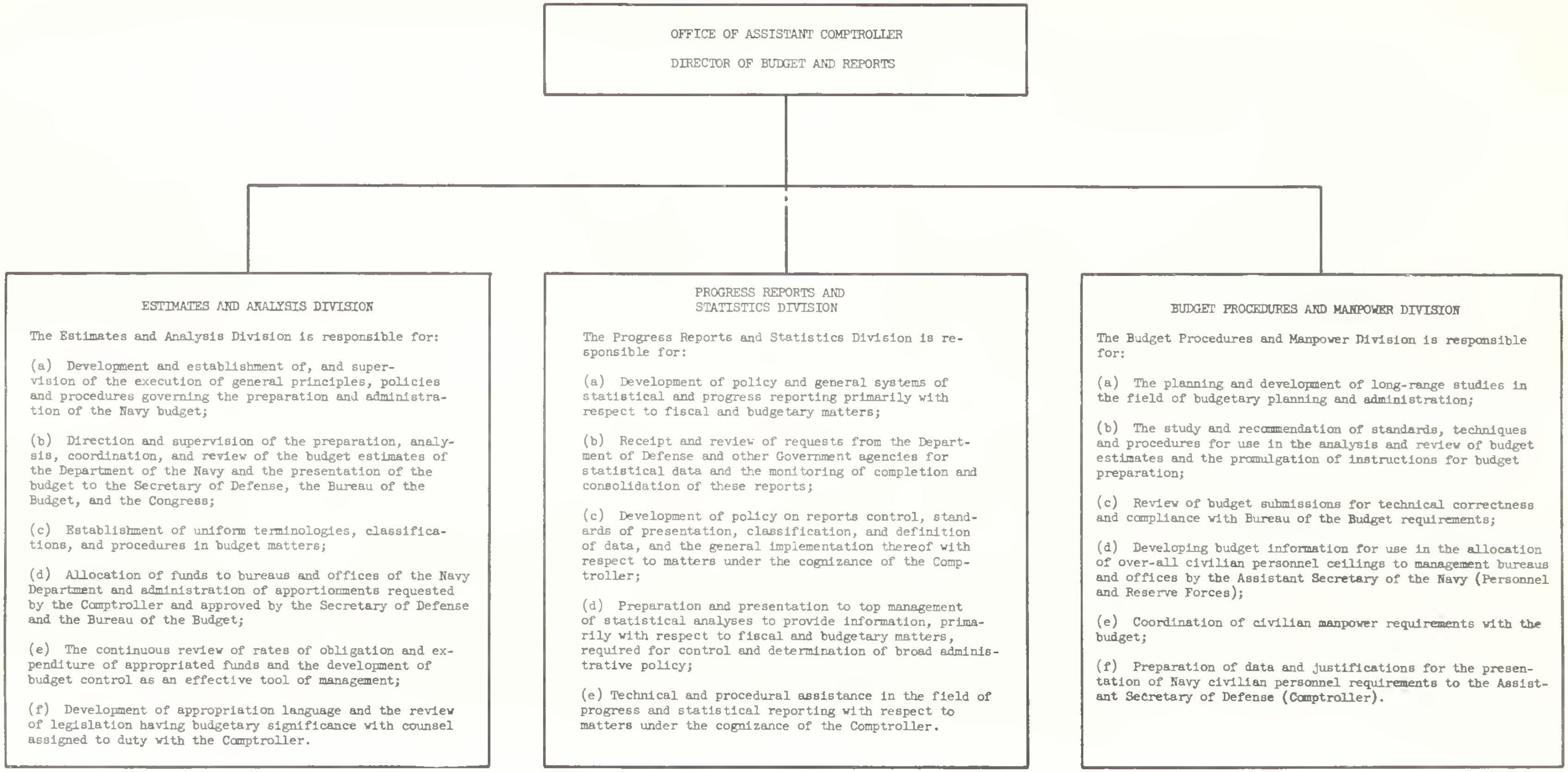
(o) Prepares or reviews requests for opinions of the Judge Advocate General or decisions of the Comptroller General concerning military pay and allowances and travel allowances.

(p) Provides Navy representation on the Department of Defense committees on Military Pay and Allowances and on Military Pay Procedures and alternate Navy representation on the Joint Committee for Operation of the Uniform Services Contingency Option Act; maintains liaison with other governmental activities concerned with military pay, allowances, and travel.

(q) Administers surety bonding of accountable personnel and provides support services and Treasury liaison for disbursing officers.


Accounting Division
Central Systems and Control Branch
Field Systems and Control Branch
Industrial Systems and Special Programs Control Branch
Disbursing Systems and Control Branch
Military Pay Division
Entitlement and Procedures Branch
Performance Review and Analysis Branch
Accountability Branch
Finance Division
Procurement Financing Branch
Special Finance Branch

Date: 21 August 1956	Approved:	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Accounting and Finance	Chart No. 10B



OFFICE OF ASSISTANT COMPTROLLER

DIRECTOR OF BUDGET AND REPORTS

ESTIMATES AND ANALYSIS DIVISION

The Estimates and Analysis Division is responsible for:

(a) Development and establishment of, and supervision of the execution of general principles, policies and procedures governing the preparation and administration of the Navy budget;

(b) Direction and supervision of the preparation, analysis, coordination, and review of the budget estimates of the Department of the Navy and the presentation of the budget to the Secretary of Defense, the Bureau of the Budget, and the Congress;

(c) Establishment of uniform terminologies, classifications, and procedures in budget matters;

(d) Allocation of funds to bureaus and offices of the Navy Department and administration of apportionments requested by the Comptroller and approved by the Secretary of Defense and the Bureau of the Budget;

(e) The continuous review of rates of obligation and expenditure of appropriated funds and the development of budget control as an effective tool of management;

(f) Development of appropriation language and the review of legislation having budgetary significance with counsel assigned to duty with the Comptroller.

PROGRESS REPORTS AND
STATISTICS DIVISION

The Progress Reports and Statistics Division is responsible for:

(a) Development of policy and general systems of statistical and progress reporting primarily with respect to fiscal and budgetary matters;

(b) Receipt and review of requests from the Department of Defense and other Government agencies for statistical data and the monitoring of completion and consolidation of these reports;

(c) Development of policy on reports control, standards of presentation, classification, and definition of data, and the general implementation thereof with respect to matters under the cognizance of the Comptroller;

(d) Preparation and presentation to top management of statistical analyses to provide information, primarily with respect to fiscal and budgetary matters, required for control and determination of broad administrative policy;

(e) Technical and procedural assistance in the field of progress and statistical reporting with respect to matters under the cognizance of the Comptroller.

BUDGET PROCEDURES AND MANPOWER DIVISION

The Budget Procedures and Manpower Division is responsible for:

(a) The planning and development of long-range studies in the field of budgetary planning and administration;

(b) The study and recommendation of standards, techniques and procedures for use in the analysis and review of budget estimates and the promulgation of instructions for budget preparation;

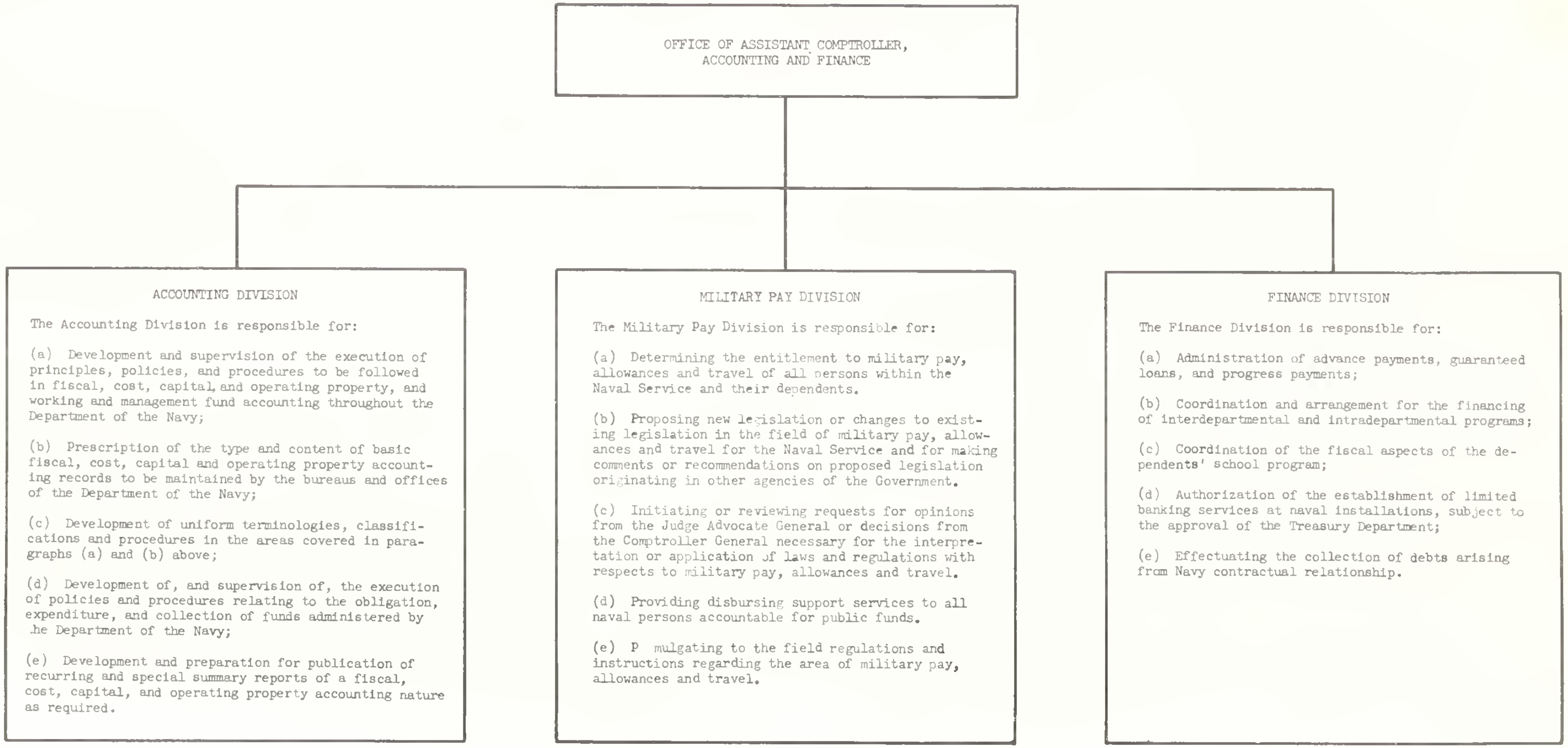
(c) Review of budget submissions for technical correctness and compliance with Bureau of the Budget requirements;

(d) Developing budget information for use in the allocation of over-all civilian personnel ceilings to management bureaus and offices by the Assistant Secretary of the Navy (Personnel and Reserve Forces);

(e) Coordination of civilian manpower requirements with the budget;

(f) Preparation of data and justifications for the presentation of Navy civilian personnel requirements to the Assistant Secretary of Defense (Comptroller).

Date: 21 August 1956	Approved: W. B. Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Director of Budget and Reports	Chart No. 10A1



OFFICE OF ASSISTANT COMPTROLLER,
ACCOUNTING AND FINANCE

ACCOUNTING DIVISION

The Accounting Division is responsible for:

(a) Development and supervision of the execution of principles, policies, and procedures to be followed in fiscal, cost, capital, and operating property, and working and management fund accounting throughout the Department of the Navy;

(b) Prescription of the type and content of basic fiscal, cost, capital and operating property accounting records to be maintained by the bureaus and offices of the Department of the Navy;

(c) Development of uniform terminologies, classifications and procedures in the areas covered in paragraphs (a) and (b) above;

(d) Development of, and supervision of, the execution of policies and procedures relating to the obligation, expenditure, and collection of funds administered by the Department of the Navy;

(e) Development and preparation for publication of recurring and special summary reports of a fiscal, cost, capital, and operating property accounting nature as required.

MILITARY PAY DIVISION

The Military Pay Division is responsible for:

(a) Determining the entitlement to military pay, allowances and travel of all persons within the Naval Service and their dependents.

(b) Proposing new legislation or changes to existing legislation in the field of military pay, allowances and travel for the Naval Service and for making comments or recommendations on proposed legislation originating in other agencies of the Government.

(c) Initiating or reviewing requests for opinions from the Judge Advocate General or decisions from the Comptroller General necessary for the interpretation or application of laws and regulations with respects to military pay, allowances and travel.

(d) Providing disbursing support services to all naval persons accountable for public funds.

(e) Promulgating to the field regulations and instructions regarding the area of military pay, allowances and travel.

FINANCE DIVISION

The Finance Division is responsible for:

(a) Administration of advance payments, guaranteed loans, and progress payments;

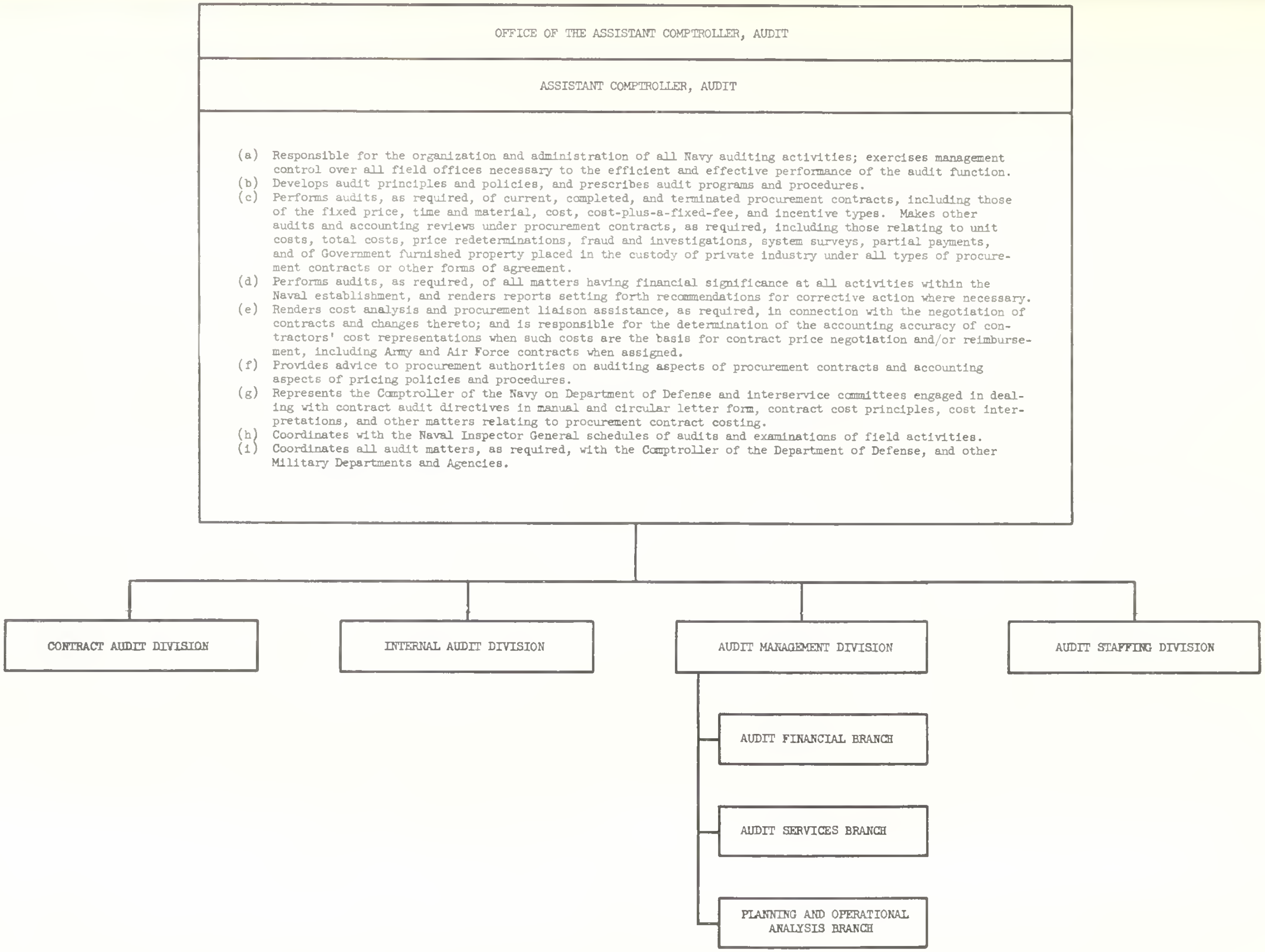
(b) Coordination and arrangement for the financing of interdepartmental and intradepartmental programs;

(c) Coordination of the fiscal aspects of the dependents' school program;

(d) Authorization of the establishment of limited banking services at naval installations, subject to the approval of the Treasury Department;

(e) Effectuating the collection of debts arising from Navy contractual relationship.

Date: 21 August 1956	Approved: W.B. Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Accounting and Finance	Chart No. 1343

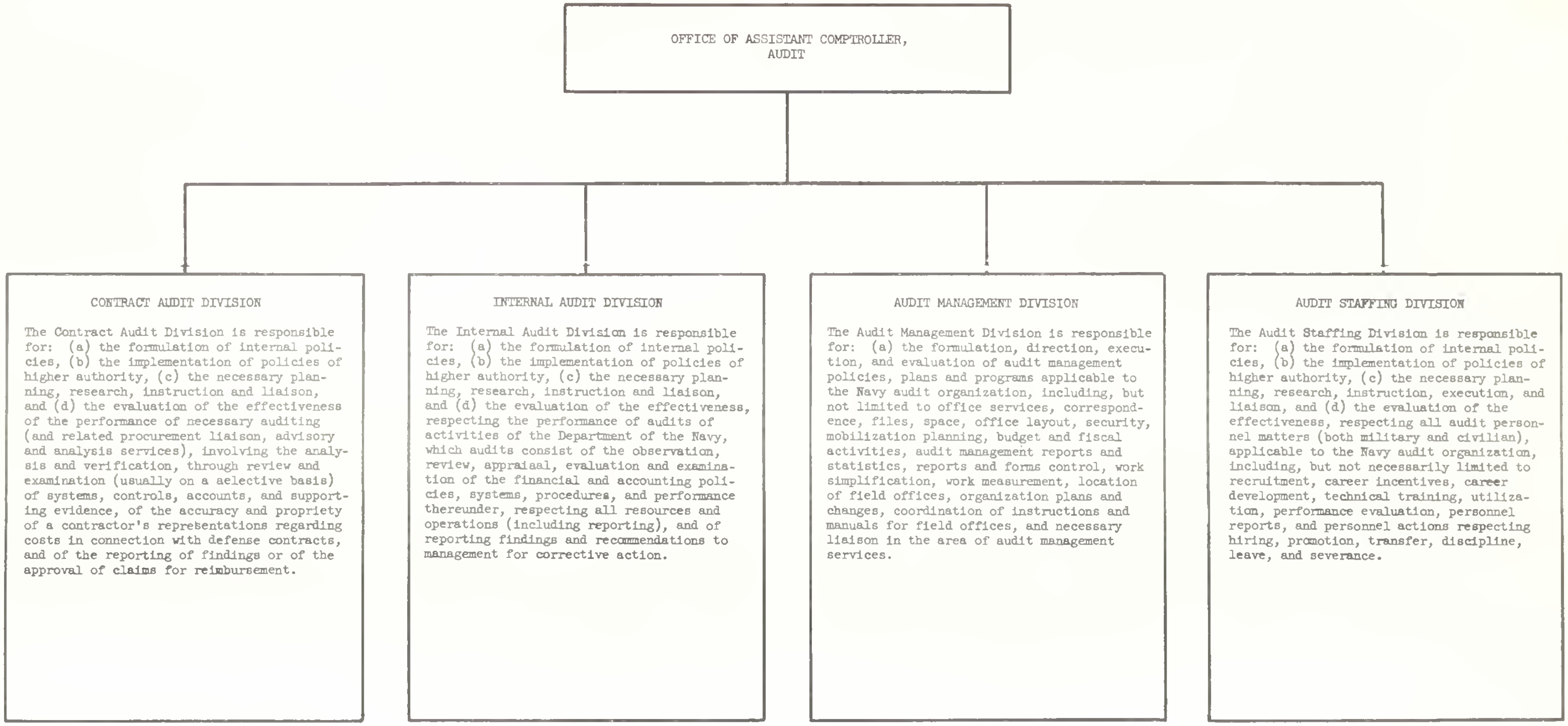


OFFICE OF THE ASSISTANT COMPTROLLER, AUDIT

ASSISTANT COMPTROLLER, AUDIT

(a) Responsible for the organization and administration of all Navy auditing activities; exercises management control over all field offices necessary to the efficient and effective performance of the audit function.
(b) Develops audit principles and policies, and prescribes audit programs and procedures.
(c) Performs audits, as required, of current, completed, and terminated procurement contracts, including those of the fixed price, time and material, cost, cost-plus-a-fixed-fee, and incentive types. Makes other audits and accounting reviews under procurement contracts, as required, including those relating to unit costs, total costs, price redeterminations, fraud and investigations, system surveys, partial payments, and of Government furnished property placed in the custody of private industry under all types of procurement contracts or other forms of agreement.
(d) Performs audits, as required, of all matters having financial significance at all activities within the Naval establishment, and renders reports setting forth recommendations for corrective action where necessary.
(e) Renders cost analysis and procurement liaison assistance, as required, in connection with the negotiation of contracts and changes thereto; and is responsible for the determination of the accounting accuracy of contractors' cost representations when such costs are the basis for contract price negotiation and/or reimbursement, including Army and Air Force contracts when assigned.
(f) Provides advice to procurement authorities on auditing aspects of procurement contracts and accounting aspects of pricing policies and procedures.
(g) Represents the Comptroller of the Navy on Department of Defense and interservice committees engaged in dealing with contract audit directives in manual and circular letter form, contract cost principles, cost interpretations, and other matters relating to procurement contract costing.
(h) Coordinates with the Naval Inspector General schedules of audits and examinations of field activities.
(i) Coordinates all audit matters, as required, with the Comptroller of the Department of Defense, and other Military Departments and Agencies.

Date: 21 August 1956	Approved: W.B. Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Audit	Chart No. 10C



OFFICE OF ASSISTANT COMPTROLLER, AUDIT

CONTRACT AUDIT DIVISION

The Contract Audit Division is responsible for: (a) the formulation of internal policies, (b) the implementation of policies of higher authority, (c) the necessary planning, research, instruction and liaison, and (d) the evaluation of the effectiveness of the performance of necessary auditing (and related procurement liaison, advisory and analysis services), involving the analysis and verification, through review and examination (usually on a selective basis) of systems, controls, accounts, and supporting evidence, of the accuracy and propriety of a contractor's representations regarding costs in connection with defense contracts, and of the reporting of findings or of the approval of claims for reimbursement.

INTERNAL AUDIT DIVISION

The Internal Audit Division is responsible for: (a) the formulation of internal policies, (b) the implementation of policies of higher authority, (c) the necessary planning, research, instruction and liaison, and (d) the evaluation of the effectiveness, respecting the performance of audits of activities of the Department of the Navy, which audits consist of the observation, review, appraisal, evaluation and examination of the financial and accounting policies, systems, procedures, and performance thereunder, respecting all resources and operations (including reporting), and of reporting findings and recommendations to management for corrective action.

AUDIT MANAGEMENT DIVISION

The Audit Management Division is responsible for: (a) the formulation, direction, execution, and evaluation of audit management policies, plans and programs applicable to the Navy audit organization, including, but not limited to office services, correspondence, files, space, office layout, security, mobilization planning, budget and fiscal activities, audit management reports and statistics, reports and forms control, work simplification, work measurement, location of field offices, organization plans and changes, coordination of instructions and manuals for field offices, and necessary liaison in the area of audit management services.

AUDIT STAFFING DIVISION

The Audit Staffing Division is responsible for: (a) the formulation of internal policies, (b) the implementation of policies of higher authority, (c) the necessary planning, research, instruction, execution, and liaison, and (d) the evaluation of the effectiveness, respecting all audit personnel matters (both military and civilian), applicable to the Navy audit organization, including, but not necessarily limited to recruitment, career incentives, career development, technical training, utilization, performance evaluation, personnel reports, and personnel actions respecting hiring, promotion, transfer, discipline, leave, and severance.

Date: 21 August 1956	Approved: W.B. Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Audit	Chart No. 10C1

APPENDIX E

APPENDIX E

EXCERPTS FROM NAVCOMPT'S QUARTERLY REPORT ON THE IMPLEMENTATION OF TITLE IV FOR THE PERIOD 16 DECEMBER 1957 TO 15 MARCH 1958

Department of the Navy
Office of the Comptroller
Washington 25, D.C.

A. ORGANIZATION AND PERSONNEL

1. A revised Marine Corps Instruction was issued with respect to the organization and functions of financial planning and administration staffs of field activities. The new order clarifies and details the functions of the field activity comptroller in the areas of budgeting, accounting, disbursing, and reporting and statistics; it enunciates the staff status and functions of the accounting officer, the disbursing officer, and the fiscal officer (appropriations accounting officer); it draws attention to the making of financial decisions as a responsibility of the field commander, placing emphasis on coordinated staff action in formulating financial advice offered the commander; it encourages the formation of field activity budget committees; it requires the assignment of comptrollers to the staffs of commanders at twelve major Marine Corps activities, and permits commanders of activities not named to assign comptrollers to their staffs if the complexity of financial management requires it; and it enunciates the policy of the

Commandant on assignment of officers to duties in fiscal fields, placing emphasis on the requirement to broaden the base of experience in financial management among Marine Corps officers.

2. The Bureau of Ships has announced plans for a comptroller conference to be held in April for the Bureau's major field activities. The agenda will include topics and problems which are of importance both to the Bureau and its field activities.

3. The Office of the Comptroller of the Navy conducted a program in Comptrollership Development during the 2-week period from 24 February to 7 March. Forty-three senior Naval officers and civilians from field activities throughout the country and from the bureaus in Washington attended the program. The program covered lectures and discussions in the areas of comptrollership organizations and functions, national fiscal policy, budget formulation and execution, program planning, progress reporting and statistics, accounting, industrial and stock funds, and internal audit. Lecturers and discussion leaders from private industry, various agencies of Government, and bureaus and offices of the Department participated in the program.

B. BUDGET

1. The Bureau of Ships has issued an Instruction which revises and clarifies the administration of open allotments under the Subhead, Fuel for Ships of the "Ships and Facilities, Navy" appropriation. The Instruction provides in chart form a comprehensive list of items properly chargeable

against the allotments, together with correct accounting data, and a list of certain items specifically excluded. This Instruction should effect an improvement in financial management by limiting the use of the open allotment to clearly delineated essential requirements. In addition, greater accuracy will be realized in associating fuel issues with expenditures, thereby providing a firmer basis for budgeting.

2. A study is currently being made regarding discontinuance of multiple funding and to make provision for single funding of Naval Stations under the management control of the Chief of Naval Operations. Single funding of these Naval Stations will align financial responsibility with the other elements of management control, and simplify many current financial problems resulting from multiple funding.

C. WORKING CAPITAL FUNDS

1. Navy Industrial Fund

a. A joint Office of the Comptroller of the Navy-Bureau of Ordnance panel has completed a survey at the Naval Gun Factory and has submitted recommendations to that activity for the improvement of financial operations. The Naval Gun Factory is in the process of implementing the recommendations. Emphasis is also being placed on the preparation of a standard handbook for Ordnance activities operating under the Navy Industrial Fund.

b. The Office of the Comptroller is participating with the Office of the Secretary of Defense, Army, Air Force,

Treasury, General Accounting Office, and the Bureau of the Budget in discussions to achieve standardization and consolidation of financial statements used in reporting Navy Industrial Fund operations to reviewing echelons.

c. Pursuant to the decision of the Comptroller of the Navy that Navy Industrial Fund financing is to be implemented at Overhaul and Repair Departments and that the pilot installation at Quonset Point is to be carried forward, the Bureau of Aeronautics has established a Navy Industrial Fund Steering Committee.

2. Stock Funds.

a. To eliminate dual financing of material and to incorporate all inventories of Navy Stock Fund (NSF) type items under the Navy Stock Fund, the Bureau of Supplies and Accounts directed the capitalization on 31 December 1957 of Appropriation Purchases Account (APA) inventories carried under cognizance symbols primarily associated with NSF. The value of the 31 December 1957 capitalization was $27,138,598.

b. Standard accounting procedures for recording stock fund transactions have been developed and promulgated by the Office of the Comptroller of the Navy. Detailed procedures necessary to effect the conversion to the newly established Stock Fund accounts have also been issued.

D. MANAGEMENT FUNDS

1. Amendment No. 2 to Navy Management Fund Charter No. 14, "Spanish Base Construction" was approved on 28 February 1958. This amendment provides the means for expediting the financing of the Spanish Base Construction Program by

permitting the deobligations of dollars based upon anticipation peseta expenditures in amounts corresponding to contract terms of payments in pesetas thereby freeing dollar obligations. This amendment also provides additional dollar funds to cover construction projects in larger segments in order to take advantage of existing contractor mobilization with the resulting effect of obtaining more advantageous prices, incurring less administrative expense on behalf of the Navy and expediting the orderly run-out of the program.

E. ACCOUNTING (FUNDS AND PROPERTY)

1. Action was taken with the approval of the Office of the Secretary of Defense to obtain bi-annually, rather than annually, the confirmation of eligibility from those for whom the Navy is paying mortgage insurance premiums to FHA. This should halve the expense of this task at Navy Finance Center, Cleveland and the resulting reports should produce an acceptable verification based on experience to date.

2. At the request of the Navy, the Comptroller General has ruled that personnel other than disbursing officers who fail to account for public funds entrusted to them, are subject to withholding of pay to cover deficiencies. This clears up a long standing unsatisfactory situation and should prevent losses previously sustained as the result of defalcations of mail clerks, agents, and others.

3. As a result of a staff study conducted by the Office of the Comptroller, maintenance of military pay records has been simplified by the consolidation of all

multiple National Service Life Insurance allotments into one allotment. Information necessary for the Veterans Administration in the maintenance of separate policies will be furnished by the Navy Finance Center.

4. The development of a single allotment funding system at the Naval Engineering Experiment Station, Annapolis by the Bureau of Ships-Office of the Comptroller of the Navy joint working panel has been completed and a report has been prepared.

5. The plan for mechanization of Bureau of Ships accounting functions is in progress. One phase has been completed whereby a volume of clerical work has been eliminated. Another phase in the plan is the implementation of procedures whereby basic EAM cards will be prepared from basic source documents.

F. PROGRESS REPORTS AND STATISTICS

1. Based upon statistical data furnished by the Office of the Comptroller, the Bureau of Naval Personnel issued an Instruction on the subject of pay errors attributed to personnel offices. Follow-up action was also taken by the Chief of Naval Personnel in the form of letters to selected Bureau of Aeronautics managed activities having a high error rate. Information on other activities having a high incidence of personnel errors was furnished the Chief of Naval Personnel for use in preparing additional letters. These actions should result in greater effort on the part of commands to reduce errors in disbursing offices primarily attributable to personnel actions.

2. The Bureau of Ships Annual Financial Report for the Fiscal Year 1957 has been prepared and is now being printed. The report summarizes the design, construction, finance and research effort, as well as material procurement in terms of dollar values compared with planned accomplishment. This report, which is comparable to those issued by private industry, represents still further progress in making available to the Congress, the Department of Defense, and other Navy bureaus an accounting of Bureau of Ships accomplishments as a custodian of appropriated funds.

3. The Office of the Comptroller coordinated the development of Department of Defense (DD) Form 1097, Financial Status Report of Contract, and justified the concept and content of the form to the Bureau of the Budget and industry representatives. The DD Form 1097 is the medium by which contractors give their best estimates of anticipated cash requirements which is reflected in their forecast of billings to the Government. This form provides the basis for realistic expenditure estimating by management bureaus as well as providing status reports of contracts which allows for informed financial management action regarding procurement.

G. INTERNAL AUDIT

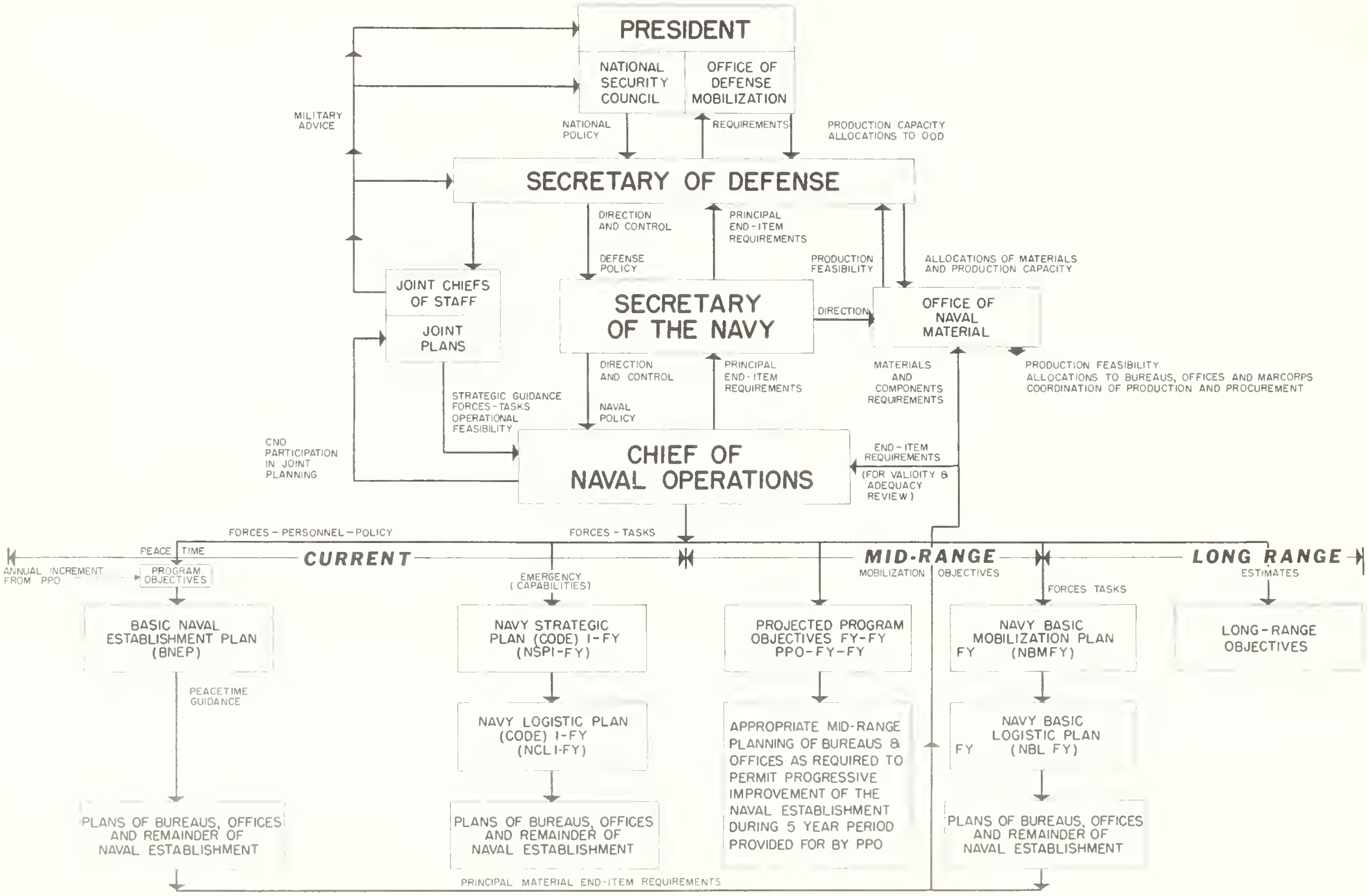
1. Satisfactory progress continues to be made in the development of new and revised internal audit programs. Since the last quarterly report, a revised program covering the functional area of "Stores Accounting" has been promulgated. Revised programs covering the functional areas of "Appropriation and Fund Accounting," "Procurement," "Supply Management,"

and "Cost Accounting" are well underway. In addition, new programs are in process of development for the continuous audit of Naval shipyards and air stations.

2. During the period 7 December 1957 through 15 March 1958, 42 periodic audit reports and six special audit reports were distributed by the Internal Audit Division, Office of the Comptroller. In addition, four annual and nine interim reports were released in connection with the performance of continuous audits. Distribution was also made of separate reports of audits of 26 Navy disbursing offices, 23 Navy rental housing facilities, and the accounts of 27 property administrators covering Government property in the possession of contractors.

3. In an endeavor to reduce the number of cost reimbursement type contracts outstanding that are completed but on which a final voucher and closing statement have not been submitted, instructions have been circulated to all Navy area audit offices for submission of information as to reasons for the delinquency. The effect of such instruction will be that, where delays are the result of delinquencies on the part of the contractor, the technical inspector, or the contracting activity, the matter will be referred to the contracting officer or the field service division of the Office of Naval Material, as appropriate, for information and action.

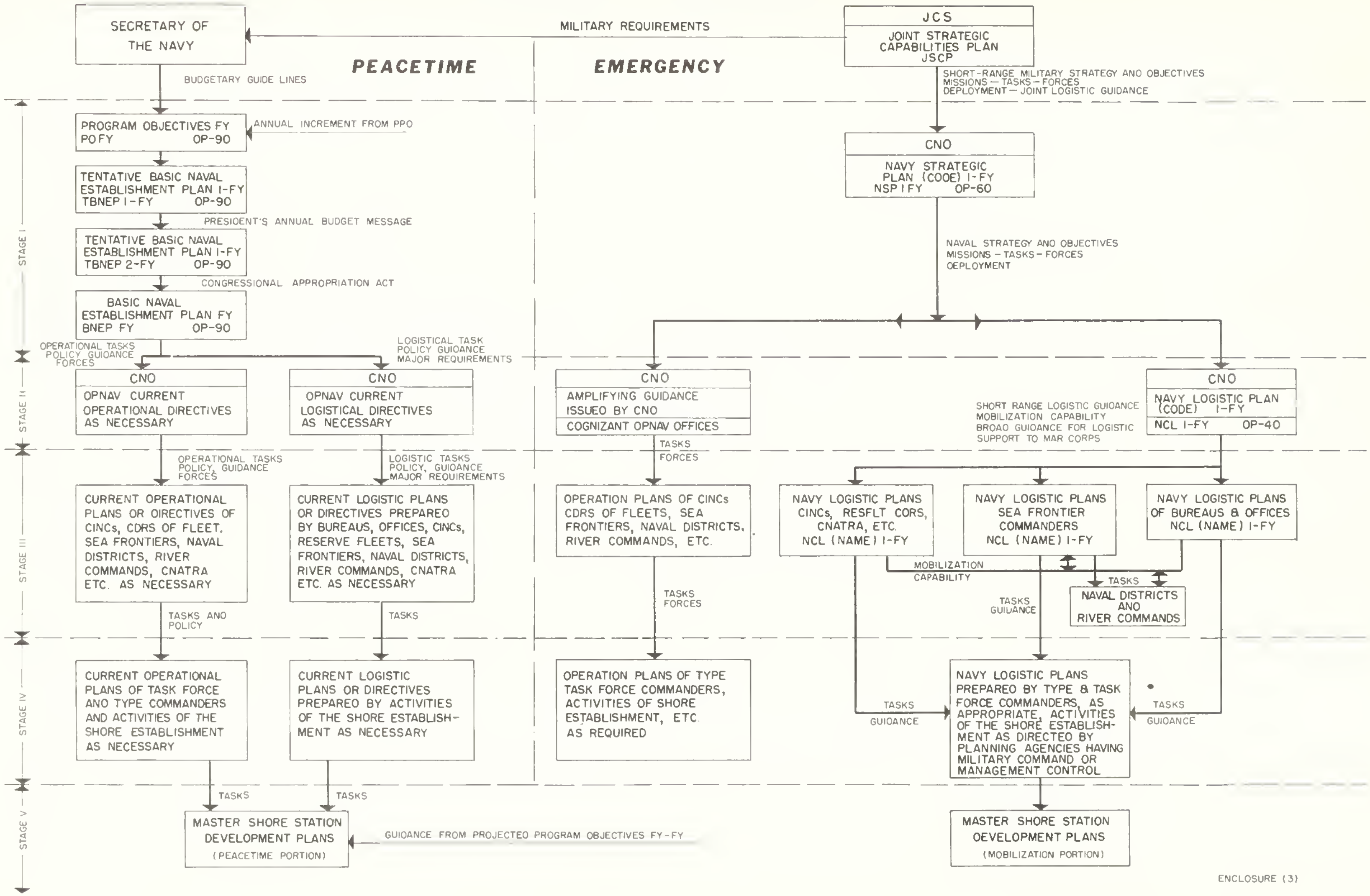
DEVELOPMENT OF NAVY PLANS


PRESIDENT
NATIONAL SECURITY COUNCIL
OFFICE OF DEFENSE MOBILIZATION
MILITARY ADVICE
NATIONAL POLICY
REQUIREMENTS
PRODUCTION CAPACITY ALLOCATIONS TO OOD
SECRETARY OF DEFENSE
DIRECTION AND CONTROL
DEFENSE POLICY
PRINCIPAL END-ITEM REQUIREMENTS
PRODUCTION FEASIBILITY
ALLOCATIONS OF MATERIALS AND PRODUCTION CAPACITY
JOINT CHIEFS OF STAFF
JOINT PLANS
SECRETARY OF THE NAVY
DIRECTION
OFFICE OF NAVAL MATERIAL
DIRECTION AND CONTROL
NAVAL POLICY
PRINCIPAL END-ITEM REQUIREMENTS
MATERIALS AND COMPONENTS REQUIREMENTS
PRODUCTION FEASIBILITY
ALLOCATIONS TO BUREAUS, OFFICES AND MARCORPS
COORDINATION OF PRODUCTION AND PROCUREMENT
STRATEGIC GUIDANCE
FORCES-TASKS
OPERATIONAL FEASIBILITY
CNO PARTICIPATION IN JOINT PLANNING
CHIEF OF NAVAL OPERATIONS
END-ITEM REQUIREMENTS (FOR VALIOITY & ADEQUACY REVIEW)
FORCES – PERSONNEL – POLICY
FORCES - TASKS
PEACE
TIME
CURRENT
MID-RANGE
LONG RANGE
ANNUAL INCREMENT FROM PPO
PROGRAM OBJECTIVES
EMERGENCY (CAPABILITIES)
MOBILIZATION
OBJECTIVES
ESTIMATES
FORCES TASKS
BASIC NAVAL ESTABLISHMENT PLAN (BNEP)
NAVY STRATEGIC PLAN (CODE) I-FY (NSPI-FY)
PROJECTED PROGRAM OBJECTIVES FY-FY PPO-FY-FY
NAVY BASIC MOBILIZATION PLAN FY (NBMFY)
LONG-RANGE OBJECTIVES
PEACETIME GUIDANCE
NAVY LOGISTIC PLAN (CODE) I-FY (NCL I-FY)
APPROPRIATE MID-RANGE PLANNING OF BUREAUS & OFFICES AS REQUIRED TO PERMIT PROGRESSIVE IMPROVEMENT OF THE NAVAL ESTABLISHMENT DURING 5 YEAR PERIOD PROVIDED FOR BY PPO
NAVY BASIC LOGISTIC PLAN FY (NBL FY)
PLANS OF BUREAUS, OFFICES AND REMAINDER OF NAVAL ESTABLISHMENT
PLANS OF BUREAUS, OFFICES AND REMAINDER OF NAVAL ESTABLISHMENT
PLANS OF BUREAUS, OFFICES AND REMAINDER OF NAVAL ESTABLISHMENT
PRINCIPAL MATERIAL END-ITEM REQUIREMENTS

ENCLOSURE (2)

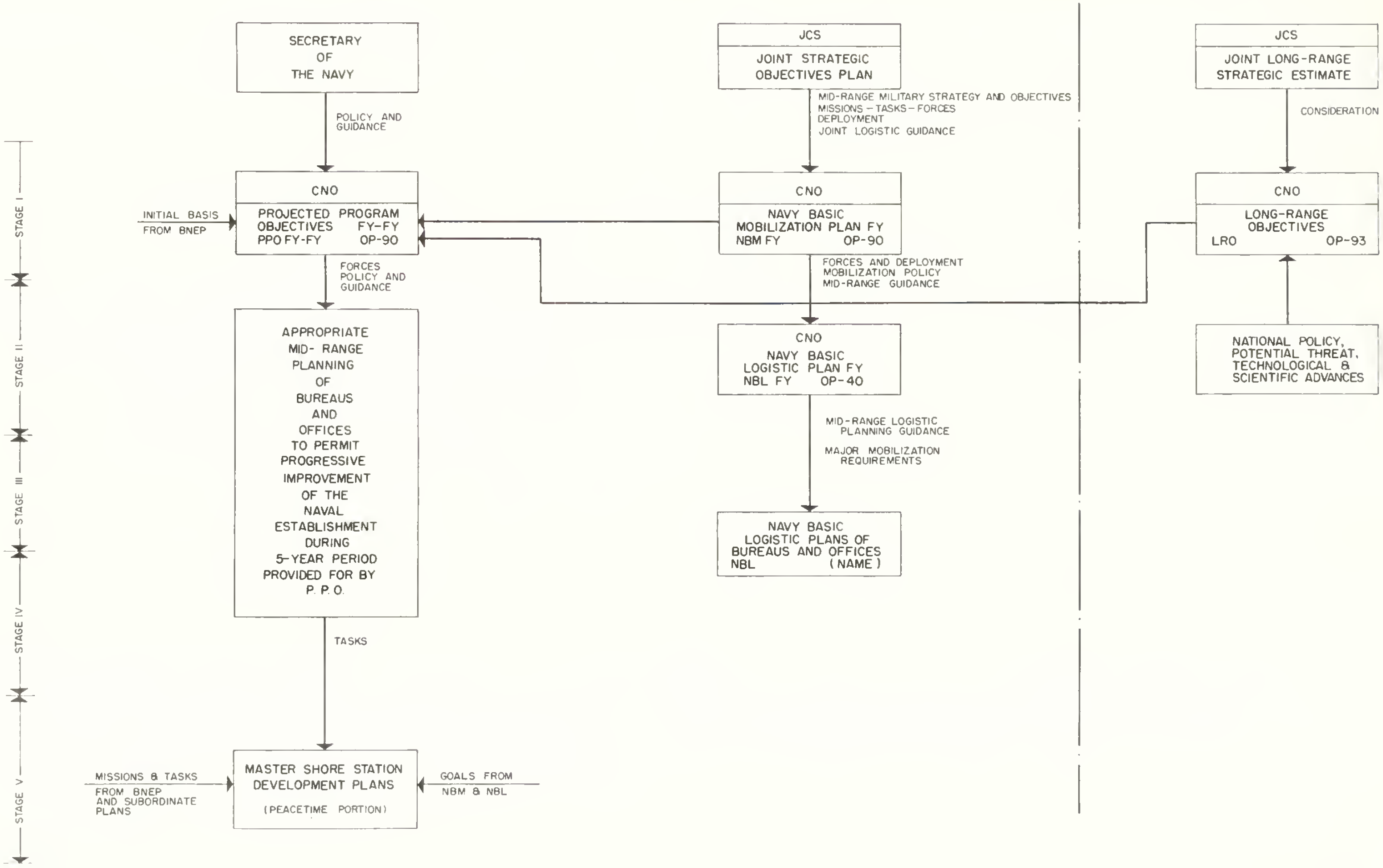
APPENDIX F

CURRENT PLANNING


SECRETARY OF THE NAVY
MILITARY REQUIREMENTS
JCS
JOINT STRATEGIC CAPABILITIES PLAN JSCP
PEACETIME
EMERGENCY
BUDGETARY GUIDE LINES
SHORT-RANGE MILITARY STRATEGY AND OBJECTIVES MISSIONS — TASKS — FORCES DEPLOYMENT — JOINT LOGISTIC GUIDANCE
STAGE I
PROGRAM OBJECTIVES FY POFY OP-90
ANNUAL INCREMENT FROM PPO
CNO
NAVY STRATEGIC PLAN (CODE) I-FY NSP I FY OP-60
TENTATIVE BASIC NAVAL ESTABLISHMENT PLAN I-FY TBNEP I-FY OP-90
PRESIDENT'S ANNUAL BUDGET MESSAGE
TENTATIVE BASIC NAVAL ESTABLISHMENT PLAN I-FY TBNEP 2-FY OP-90
NAVAL STRATEGY AND OBJECTIVES MISSIONS – TASKS – FORCES DEPLOYMENT
CONGRESSIONAL APPROPRIATION ACT
BASIC NAVAL ESTABLISHMENT PLAN FY BNEP FY OP-90
OPERATIONAL TASKS POLICY GUIDANCE FORCES
LOGISTICAL TASK POLICY GUIDANCE MAJOR REQUIREMENTS
STAGE II
CNO
OPNAV CURRENT OPERATIONAL DIRECTIVES AS NECESSARY
CNO
OPNAV CURRENT LOGISTICAL DIRECTIVES AS NECESSARY
CNO
AMPLIFYING GUIDANCE ISSUED BY CNO
COGNIZANT OPNAV OFFICES
CNO
NAVY LOGISTIC PLAN (CODE) I-FY
NCL I-FY OP-40
SHORT RANGE LOGISTIC GUIDANCE MOBILIZATION CAPABILITY BROAD GUIDANCE FOR LOGISTIC SUPPORT TO MAR CORPS
OPERATIONAL TASKS POLICY, GUIDANCE FORCES
LOGISTIC TASKS POLICY, GUIDANCE MAJOR REQUIREMENTS
TASKS FORCES
STAGE III
CURRENT OPERATIONAL PLANS OR DIRECTIVES OF CINCs, CDRS OF FLEET, SEA FRONTIERS, NAVAL DISTRICTS, RIVER COMMANDS, CNATRA ETC. AS NECESSARY
CURRENT LOGISTIC PLANS OR DIRECTIVES PREPARED BY BUREAUS, OFFICES, CINCs, RESERVE FLEETS, SEA FRONTIERS, NAVAL DISTRICTS, RIVER COMMANDS, CNATRA ETC. AS NECESSARY
OPERATION PLANS OF CINCs CDRS OF FLEETS, SEA FRONTIERS, NAVAL DISTRICTS, RIVER COMMANDS, ETC.
NAVY LOGISTIC PLANS CINCs, RESFLT CDRS, CNATRA, ETC. NCL (NAME) I-FY
NAVY LOGISTIC PLANS SEA FRONTIER COMMANDERS NCL (NAME) I-FY
NAVY LOGISTIC PLANS OF BUREAUS & OFFICES NCL (NAME) I-FY
MOBILIZATION CAPABILITY
TASKS
NAVAL DISTRICTS AND RIVER COMMANDS
TASKS AND POLICY
TASKS
TASKS FORCES
TASKS GUIDANCE
STAGE IV
CURRENT OPERATIONAL PLANS OF TASK FORCE AND TYPE COMMANDERS AND ACTIVITIES OF THE SHORE ESTABLISHMENT AS NECESSARY
CURRENT LOGISTIC PLANS OR DIRECTIVES PREPARED BY ACTIVITIES OF THE SHORE ESTABLISHMENT AS NECESSARY
OPERATION PLANS OF TYPE TASK FORCE COMMANDERS, ACTIVITIES OF SHORE ESTABLISHMENT, ETC. AS REQUIRED
TASKS GUIDANCE
NAVY LOGISTIC PLANS PREPARED BY TYPE & TASK FORCE COMMANDERS, AS APPROPRIATE, ACTIVITIES OF THE SHORE ESTABLISHMENT AS DIRECTED BY PLANNING AGENCIES HAVING MILITARY COMMAND OR MANAGEMENT CONTROL
TASKS GUIDANCE
TASKS
TASKS
STAGE V
MASTER SHORE STATION DEVELOPMENT PLANS (PEACETIME PORTION)
GUIDANCE FROM PROJECTED PROGRAM OBJECTIVES FY-FY
MASTER SHORE STATION DEVELOPMENT PLANS (MOBILIZATION PORTION)

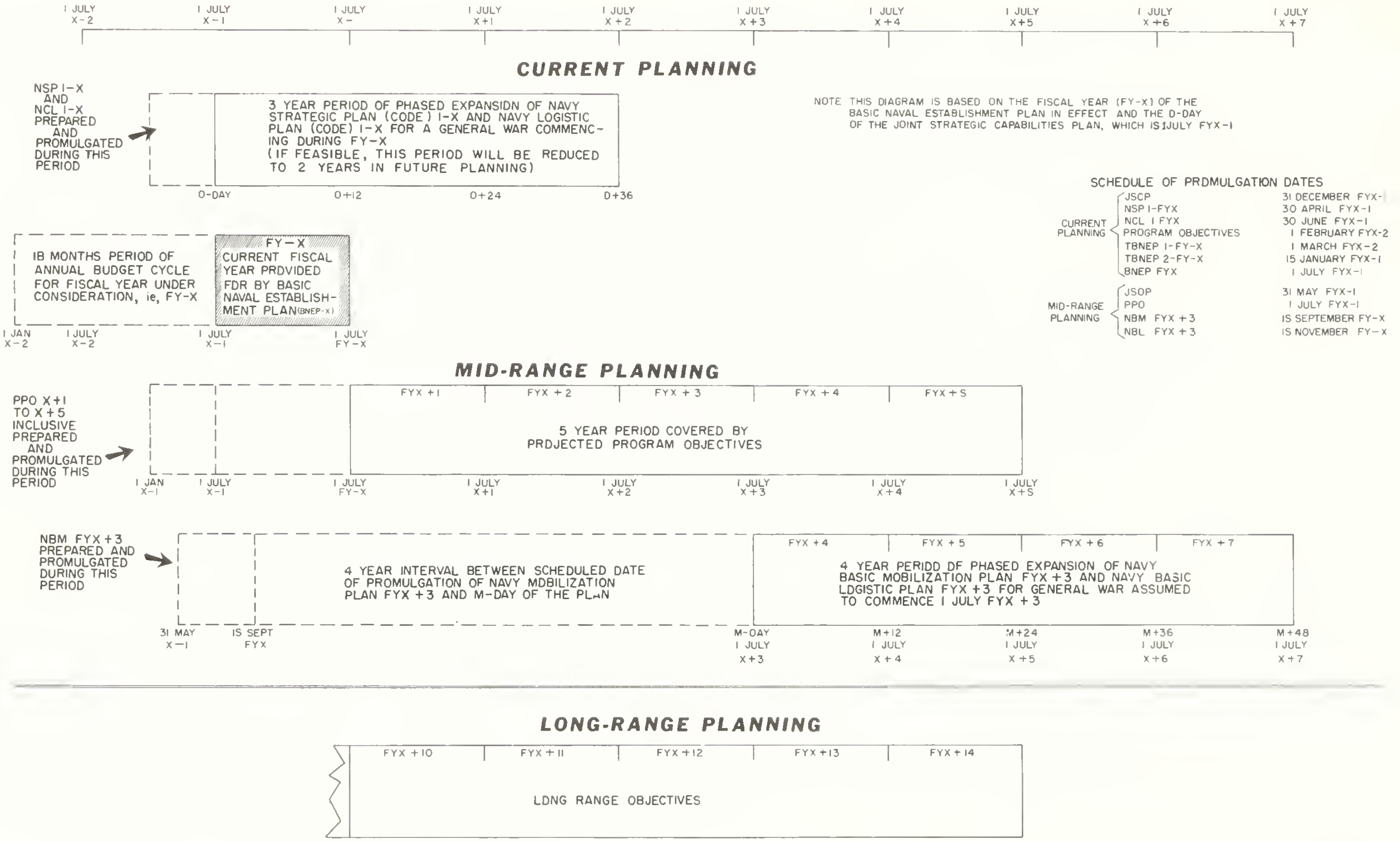
ENCLOSURE (3)

MID-RANGE AND LONG-RANGE PLANNING


SECRETARY OF THE NAVY
POLICY AND GUIDANCE
CNO
PROJECTED PROGRAM OBJECTIVES FY-FY
PPO FY-FY OP-90
INITIAL BASIS FROM BNEP
FORCES POLICY AND GUIDANCE
APPROPRIATE MID-RANGE PLANNING OF BUREAUS AND OFFICES TO PERMIT PROGRESSIVE IMPROVEMENT OF THE NAVAL ESTABLISHMENT DURING 5-YEAR PERIOD PROVIDED FOR BY P. P. O.
TASKS
MASTER SHORE STATION DEVELOPMENT PLANS
(PEACETIME PORTION)
MISSIONS & TASKS
FROM BNEP AND SUBORDINATE PLANS
GOALS FROM
NBM & NBL
JCS
JOINT STRATEGIC OBJECTIVES PLAN
MID-RANGE MILITARY STRATEGY AND OBJECTIVES
MISSIONS – TASKS – FORCES
DEPLOYMENT
JOINT LOGISTIC GUIDANCE
CNO
NAVY BASIC MOBILIZATION PLAN FY
NBM FY OP-90
FORCES AND DEPLOYMENT
MOBILIZATION POLICY
MID-RANGE GUIDANCE
CNO
NAVY BASIC LOGISTIC PLAN FY
NBL FY OP-40
MID-RANGE LOGISTIC PLANNING GUIDANCE
MAJOR MOBILIZATION REQUIREMENTS
NAVY BASIC LOGISTIC PLANS OF BUREAUS AND OFFICES
NBL (NAME)
JCS
JOINT LONG-RANGE STRATEGIC ESTIMATE
CONSIDERATION
CNO
LONG-RANGE OBJECTIVES
LRO OP-93
NATIONAL POLICY, POTENTIAL THREAT, TECHNOLOGICAL & SCIENTIFIC ADVANCES
STAGE I
STAGE II
STAGE III
STAGE IV
STAGE V

ENCLOSURE (4)

TIME RELATIONSHIP OF NAVY PLANS


1 JULY X-2
1 JULY X-1
1 JULY X-
1 JULY X+1
1 JULY X+2
1 JULY X+3
1 JULY X+4
1 JULY X+5
1 JULY X+6
1 JULY X+7
CURRENT PLANNING
NSP 1-X AND NCL 1-X PREPARED AND PROMULGATED DURING THIS PERIOD
3 YEAR PERIOD OF PHASED EXPANSION OF NAVY STRATEGIC PLAN (CODE) 1-X AND NAVY LOGISTIC PLAN (CODE) 1-X FOR A GENERAL WAR COMMENCING DURING FY-X (IF FEASIBLE, THIS PERIOD WILL BE REDUCED TO 2 YEARS IN FUTURE PLANNING)
D-DAY
D+12
D+24
D+36
18 MONTHS PERIOD OF ANNUAL BUDGET CYCLE FOR FISCAL YEAR UNDER CONSIDERATION, ie, FY-X
FY-X CURRENT FISCAL YEAR PROVIDED FOR BY BASIC NAVAL ESTABLISHMENT PLAN (BNEP-X)
1 JAN X-2
1 JULY X-2
1 JULY X-1
1 JULY FY-X
MID-RANGE PLANNING
PPO X+1 TO X+5 INCLUSIVE PREPARED AND PROMULGATED DURING THIS PERIOD
FYX+1
FYX+2
FYX+3
FYX+4
FYX+5
5 YEAR PERIOD COVERED BY PROJECTED PROGRAM OBJECTIVES
1 JAN X-1
1 JULY X-1
1 JULY FY-X
1 JULY X+1
1 JULY X+2
1 JULY X+3
1 JULY X+4
1 JULY X+5
NBM FYX+3 PREPARED AND PROMULGATED DURING THIS PERIOD
4 YEAR INTERVAL BETWEEN SCHEDULED DATE OF PROMULGATION OF NAVY MOBILIZATION PLAN FYX+3 AND M-DAY OF THE PLAN
FYX+4
FYX+5
FYX+6
FYX+7
4 YEAR PERIOD OF PHASED EXPANSION OF NAVY BASIC MOBILIZATION PLAN FYX+3 AND NAVY BASIC LOGISTIC PLAN FYX+3 FOR GENERAL WAR ASSUMED TO COMMENCE 1 JULY FYX+3
31 MAY X-1
15 SEPT FYX
M-DAY 1 JULY X+3
M+12 1 JULY X+4
M+24 1 JULY X+5
M+36 1 JULY X+6
M+48 1 JULY X+7
LONG-RANGE PLANNING
FYX+10
FYX+11
FYX+12
FYX+13
FYX+14
LONG RANGE OBJECTIVES

NOTE THIS DIAGRAM IS BASED ON THE FISCAL YEAR (FY-X) OF THE BASIC NAVAL ESTABLISHMENT PLAN IN EFFECT AND THE D-DAY OF THE JOINT STRATEGIC CAPABILITIES PLAN, WHICH IS 1 JULY FYX-1

SCHEDULE OF PROMULGATION DATES

CURRENT PLANNING	JSCP	31 DECEMBER FYX-1
	NSP 1-FYX	30 APRIL FYX-1
	NCL 1 FYX	30 JUNE FYX-1
	PROGRAM OBJECTIVES	1 FEBRUARY FYX-2
	TBNEP 1-FY-X	1 MARCH FYX-2
	TBNEP 2-FY-X	15 JANUARY FYX-1
	BNEP FYX	1 JULY FYX-1
MID-RANGE PLANNING	JSOP	31 MAY FYX-1
	PPO	1 JULY FYX-1
	NBM FYX+3	15 SEPTEMBER FY-X
	NBL FYX+3	15 NOVEMBER FY-X

ENCLOSURE (5)

DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON 25, D.C.

OPNAV 5010.13
Op-90H
Ser 170P90
24 Oct 1957
Chg. 1 of 3/25/58 ent.

OPNAV INSTRUCTION 5010.13

From: Chief of Naval Operations
To: Distribution List

Subj: Navy Programs

Encl: (1) Program Format
(2) Program Brief

1. Purpose. The purpose of this Instruction is to establish a standard method for the development and presentation of a Navy Program. It provides for a comprehensive delineation of immediate and eventual scope and costs, which will provide adequate data on which complete and proper evaluation of a Navy Program can be made before it is entered into the Navy Projected Program Objectives and the Department of the Navy Program Objectives.

2. Background. In view of the mounting pressure for reduction of Government expenses, the necessity for careful review, evaluation, and determination of priority of Navy Programs is assuming increasing importance. In addition, the Navy is continually developing new programs which have low initial costs but which can develop into unusually large costs in the future. In order to evaluate all programs properly, it is essential that their financial and personnel implications be known in addition to their military potential. New programs which ultimately require funds of high order of magnitude will have a significant effect on the Navy budget and can therefore be funded only at the expense of other programs. Top management in the Navy needs a systematic method of presentation of programs in order to make policy decisions affecting the future of the Navy. Coordinating agencies need detailed information for the development of their own programs. Enclosure (1) has been developed as a means of satisfying these needs.

3. Concept. The following definitions and explanations of programming processes are furnished:

a. Relationship Between Plans and Programs

(1) Plan. A military plan is a proposed procedure or method of military action.

(2) Program. A program is a scheme of administrative action designed for the accomplishment of a definite objective. It is supervised by its sponsor, called the Program Sponsor. A program is specific as to the time-phasing of the work to be done and the means allocated for its accomplishment.

(3) Relationship. War plans establish requirements for the prosecution of military action on an assumed M- or D-Day. In order that combat forces of the desired size and capabilities, supported by an adequate logistic base, are available to meet these requirements, coordinated programs for their attainment must be developed in peacetime.

b. Explanation of Program Definition. The component parts of a program are as follows:

(1) Definite Objective. A program must state precisely what it is intended to accomplish and the reason therefor. A tacit objective is not sufficient. Such may be perfectly obvious to the Navy, but it will be inadequate for convincing the non-military authorities who must review the program. A broad objective, such as "To improve the combat efficiency of the Fleet" is equally inadequate.

(2) Scheme. A program must clearly show how the objective will be attained, in sufficient detail so that the implementers will be able to carry out their parts properly.

(3) Administrative Action. The execution of a program is primarily a matter of administration. Therefore, a program should indicate the agencies from which specified actions are required.

(4) Time Phasing. This is essentially an expansion of the "scheme", in that it shows when the specific parts of a program may be expected to phase in toward the attainment of the objective. Since the majority of programs consist of component parts or supporting programs, this time phasing becomes important so that the component parts will mesh at the proper time. In the case when a program extends over two or more fiscal years, the time-phasing should indicate what increment of the program will be completed during each fiscal year.

(5) Means Allocated. In order to evaluate the program properly, the requirements in terms of funds, material,

personnel, and construction must be specifically stated. The most important of these is funds. An accurate estimate of the total cost of a program, including its various elements, may reveal that the cost is out of proportion to its value, and that it may become necessary to make a drastic revision or, in some instances, drop the program entirely.

c. Essential Elements of a Program

(1) In order for a program to be self-sufficient and defensible, the following essential elements must be present:

(a) The objective

(b) The scheme for attainment of the objective

(c) The time-phasing of the various stages

(d) The determination of the means to be allocated.

d. Review of Programs. Programs must not remain static. They must be kept under continual review by the Sponsor and by the various executing agencies. Programs must be changed to meet new developments and techniques, new budgetary limitations, and other factors which may necessitate changes in scope and objective. In addition, programs must frequently be compared with related programs to insure that equal progress is made in the whole.

e. Program Approval. A program must be approved by the Chief of Naval Operations, the Vice Chief of Naval Operations, or a Deputy Chief of Naval Operations acting for the Chief of Naval Operations in order to be considered as a basis for a request for funds in the annual budget submissions.

4. Action Required

a. Program Sponsors will place all programs, which meet one or more of the criteria listed below, in the Program Format as outlined in Enclosure (1). The criteria are:

(1) Contribute to the combat effectiveness of the Navy

(2) Require a significant portion of the Navy budget

(3) Have an effect on other programs, particularly in personnel and facilities

(4) Require coordination between two or more Program Sponsors.

b. With the Format as a basis, a brief of the Program, as outlined in enclosure (2), will be forwarded to the ACNO (General Planning) by the Program Sponsor. This brief will be included in the Navy Projected Program Objectives.

5. Distribution. After the completed program format has been approved, it will be forwarded to the Assistant Chief of Naval Operations (General Planning) for retention in the Master Program File. Distribution of copies will be as follows:

a. As required in offices of the Program Sponsor

b. Program Administrators (Paragraph 7 of Format)

c. Sponsors of supporting or supported programs (Paragraphs 11 and/or 12 of Format)

d. Comptroller of the Navy.

H. D. FEIT
Vice Chief of Naval Operations

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PROGRAM FORMAT

1. Title of Program.

2. Objective. (A concise and specific statement of what the program will accomplish towards the overall improvement of the Navy, and the specific requirement which it will meet.)

3. Brief of Program. (A brief statement of the scope of the program, what it involves and to which part of the Naval Establishment it applies. This brief should include sufficient information to give a clear understanding of what the program involves, for example, numbers of units to be introduced and those being phased out, planned increases in real estate together with real estate being phased out, new weapon systems and weapon systems which will be replaced, etc.)

4. Present Status. (A brief statement as to the status of the program. This should include:

    a. For established programs, the present state of completion.

    b. For programs involving new weapons or equipment:

        (1) Whether it is in the development or production state.

        (2) Whether it is for evaluation or installation.

        (3) Estimated annual requirements.

        (4) Estimated cost, of materiel and equipment required for program, which this program replaces or modifies.

        (5) The weapons or equipment to be replaced.)

5. Program Sponsor. (The Deputy Chiefs of Naval Operations; the Chief of Naval Materiel, the Director of Naval Intelligence, and others, as appropriate, who coordinate and integrate programs under their cognizance.)

6. Program Coordinator. (The individual in the office of a Program Sponsor, who is directly responsible for the execution of a specific program. In addition, list other offices and agencies which have definite but subordinate coordinate responsibilities.)

7. Program Administrator. (The Bureau or Bureaus which administer the program or portions thereof. Include Lead Bureau if appropriate.)

8. Appropriation Sponsor. (See OPNAV INSTRUCTION 7100.8 of 9 April 1956.)

9. Budget Category. (State the Budget Category, as defined in DOD Pamphlet "Budget Category Definitions" as 1 July 1953, to which this program belongs.)

10. Appropriation Title. (State the Appropriation Title, as listed in NAVCOMPT INSTRUCTION 7110.3A of 13 April 1956, to which this program belongs.)

11. Program Supported. (If this program is in support of a larger program, or if it is part of a weapon system, state title of the program or weapon system it supports.)

12. Supporting Programs. (List the Sponsors, Bureaus, or other agencies which have developed or which will be required to develop programs in support of this one. The cost of these programs should be included.)

13. Relation to Other Programs. (List programs which will have an effect on or be affected by this program, particularly those which require the completion of end items simultaneously with this one.)

14. Time Data.

a. Length of Time to Complete.

b. Time Phasing. (If program extends for more than one fiscal year, give a brief statement of how much will be accomplished each year.)

15. Cost Data.

a. Cost to Budget under Consideration.

b. Cost of Each Annual Increment.

c. Total Cost.

16. Requirements Data.

a. Personnel. (A statement of personnel requirements, both military and civilian, and their availability. If number varies during the execution of the program, give time-phased requirements of increases or decreases.)

b. Service or Facility. (A statement of the services and/or facilities which will be required during the execution of the program, giving time-phased requirements of increases or decreases.)

c. Materials. (A statement of the critical or special materials which will be required, giving time-phased requirements; the probability of delivery on time by routine methods; and the availability from other agencies if a delay in delivery is anticipated.)

17. Justification. (Summarize the facts presented in the preceding paragraphs and state a conclusion as to the worth of the proposed programs. The advantages of the proposed equipment or system over existing equipment or systems should be shown clearly, and these advantages balanced against the net overall cost to assist in determining whether or not the program is worth its cost.)

13. Chronology. (A record of actions or developments which affect the scope or time-phasing of the program. This should include all pertinent information from the inception of the program to the present. It should indicate the office, agency or event which directed the change.)

PROGRAM BRIEF

1. Title of Program.

2. Objective.

3. Brief of Program.

4. Time Data.

    a. Length of Time to Complete.

    b. Time Phasing.

5. Cost Data.

    a. Cost of Each Annual Increment.

    b. Total Cost.

6. Program Sponsor.

7. Program Coordinator.

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

SECNAV 7110.3
NCB311
16 March 1956
Chg. 1 of 10/9/57 ent.

SECNAV INSTRUCTION 7110.3

From: Secretary of the Navy
To: Distribution List

Subj: Annual budgetary procedure

Encl: (1) Sequent outline of annual budgetary procedure and review with deadline dates
(2) Flow Chart

1. Purpose. This Instruction establishes a standing schedule in the Department of the Navy for the development and review of the budget, and outlines functions and responsibilities at each step of the procedure. It is issued to enable each responsible official to plan the phasing of his budget operations in accordance with the integrated Navy schedule.

2. Action. Addressees will develop internal procedures necessary to comply with the program outlined in enclosure (1). With respect to the budget for fiscal year 1958 the schedule will be followed from the point estimates are submitted to the Comptroller of the Navy, 2 July 1956. For subsequent years the entire program will be carried out as indicated. Dates should be adjusted when necessary to the nearest working day.

SEQUENT OUTLINE OF ANNUAL BUDGETARY PROCEDURE AND REVIEW WITH DEADLINE DATES

(Dates should be adjusted yearly to nearest working day)

Dates

PROGRAM OBJECTIVES

15 Dec 1. The Secretary of the Navy writes the Chief of Naval Operations and the Commandant of the Marine Corps outlining policy with respect to the new budget and directing preparation of the program objectives for the fiscal year concerned. The Chief of Naval Operations is directed to coordinate and integrate the program objectives for the Naval Establishment for the Secretary.

21 Dec 2. The Chief of Naval Operations issues a call to program sponsors for submittal of their respective program objectives with the deadline date of 10 January.

10 Jan to 21 Jan 3. The Chief of Naval Operations reviews the program objectives in preparation for their submission to the Secretary of the Navy. Those portions of the program objectives in which the Marine Corps has an interest will be reviewed in collaboration with the Commandant of the Marine Corps.

21 Jan 4. The Chief of Naval Operations submits the program objectives to the Secretary of the Navy for his consideration prior to approval. At this time copies are forwarded to the Under Secretary and all the Assistant Secretaries, and to the Commandant of the Marine Corps.

25 Jan 5. The Secretary of the Navy, in a formal meeting attended by the Under Secretary, all the Assistant Secretaries, the Chief of Naval Operations and the Commandant of the Marine Corps, gives final consideration and approval to the program objectives. At this meeting the Comptroller of the Navy will present his estimate of the cost of the program objectives in terms of cost categories, and he will analyze the cost implications compared with those of previous years. (The approved program objectives will be used by the Secretary of the Navy as a vehicle for discussion with the Secretary of Defense.)

1 Feb 6. The Chief of Naval Operations promulgates the approved program objectives.

BUDGET PROCESS

1 Feb 1. The Comptroller of the Navy issues the "call for estimates" with other appropriate guidance necessary for the preparation of budget estimates, including the date of submission, 2 July.

1 Feb to 2 Jul 2. Bureaus, offices and Headquarters, U.S. Marine Corps, prepare budgets based on program objectives and other appropriate guidance, and submit them to the Comptroller of the Navy, 2 July.

2 Jul to 9 Jul 3. The Comptroller of the Navy reviews budget submissions received from bureaus, offices, and Headquarters, U.S. Marine Corps, and prepares a summary budget in terms of cost categories.

10 Jul 4. The summary budget in terms of cost categories will be presented by the Comptroller at a formal meeting to the Secretary of the Navy, the Under Secretary, the Assistant Secretaries, the Chief of Naval Operations and the Commandant of the Marine Corps. The Comptroller will outline major program deviations from prior years and other important issues.

10 Jul to 22 Aug 5. The Assistant Comptroller, Director of Budget and Reports, will hold hearings on budget submissions with responsible officials of bureaus, offices, and Headquarters, U.S. Marine Corps, with regard to all proposed appropriations. Appropriation sponsors from the Office of the Chief of Naval Operations and Headquarters, U.S. Marine Corps, will attend these hearings, as appropriate.

22 Aug to 3 Sep 6. The Assistant Comptroller, Director of Budget and Reports, will complete his mark-up of the budget submissions and will review his recommendations with the Comptroller of the Navy.

4 Sep 7. The Comptroller of the Navy returns the marked-up budget to the bureaus and offices and to the Headquarters, U.S. Marine Corps, for such adjustments as may be practicable prior to final review by the Secretary of the Navy.

BUDGET ADJUSTMENT PROCESS

4 Sep to 17 Sep 1. The Comptroller of the Navy, bureaus and offices, and Headquarters, U.S. Marine Corps, work actively to adjust differences, with CNO representatives participating as appropriate. Concurrently, representatives of the Chief of Naval Operations and the Commandant, U.S. Marine Corps, examine the budget mark-up to determine military implications and their estimates of needs for adjustments.

18 Sep 2. The Budget Advisory Board established by the Chief of Naval Operations, in a formal meeting, reviews the status of the entire budget mark-up against remaining needs for adjustment in an effort to further reduce differences.

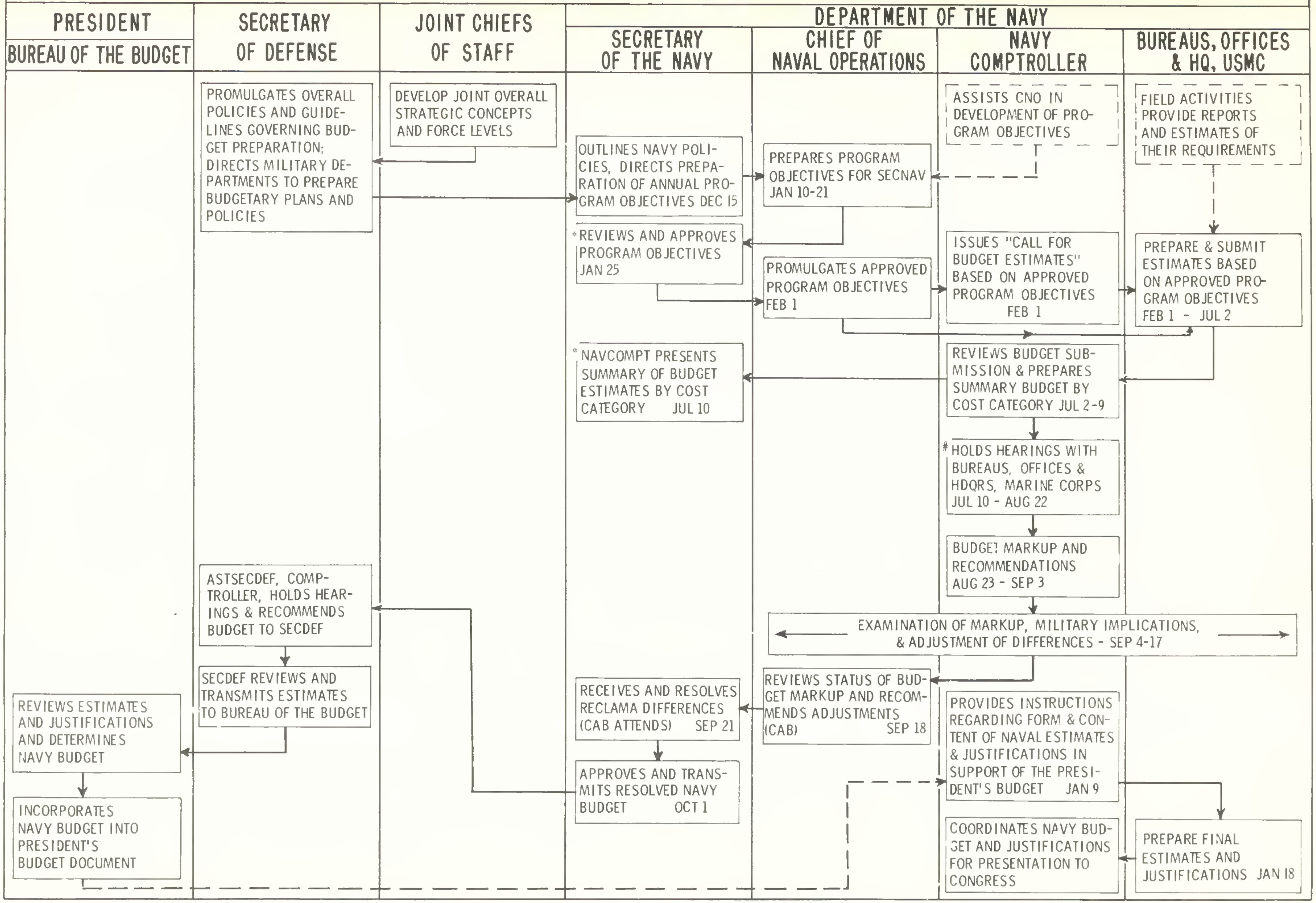
RECLAMA PROCESS

21 Sep 1. Unresolved reclama differences will be presented to the Secretary of the Navy by the Comptroller at a formal meeting of the CNO Advisory Board with the Secretary of the Navy presiding as chairman. The unresolved differences will be entertained individually with only the required personnel of one bureau, office or Headquarters, U.S. Marine Corps, being present at any one time.

21 Sep to 1 Oct 2. All reclamas having been resolved during this meeting, the revised Navy budget will be prepared for submission to the Secretary of Defense on 1 October.

REF: SECNAVINST 7110.3 WITH CH .1

DEVELOPMENT OF THE NAVY BUDGET


PRESIDENT
BUREAU OF THE BUDGET
SECRETARY OF DEFENSE
JOINT CHIEFS OF STAFF
DEPARTMENT OF THE NAVY
SECRETARY OF THE NAVY
CHIEF OF NAVAL OPERATIONS
NAVY COMPTROLLER
BUREAUS, OFFICES & HQ, USMC
PROMULGATES OVERALL POLICIES AND GUIDELINES GOVERNING BUDGET PREPARATION; DIRECTS MILITARY DEPARTMENTS TO PREPARE BUDGETARY PLANS AND POLICIES
DEVELOP JOINT OVERALL STRATEGIC CONCEPTS AND FORCE LEVELS
ASSISTS CNO IN DEVELOPMENT OF PROGRAM OBJECTIVES
FIELD ACTIVITIES PROVIDE REPORTS AND ESTIMATES OF THEIR REQUIREMENTS
OUTLINES NAVY POLICIES, DIRECTS PREPARATION OF ANNUAL PROGRAM OBJECTIVES DEC 15
PREPARES PROGRAM OBJECTIVES FOR SECNAV JAN 10-21
*REVIEWS AND APPROVES PROGRAM OBJECTIVES JAN 25
PROMULGATES APPROVED PROGRAM OBJECTIVES FEB 1
ISSUES "CALL FOR BUDGET ESTIMATES" BASED ON APPROVED PROGRAM OBJECTIVES FEB 1
PREPARE & SUBMIT ESTIMATES BASED ON APPROVED PROGRAM OBJECTIVES FEB 1 - JUL 2
*NAVCOMPT PRESENTS SUMMARY OF BUDGET ESTIMATES BY COST CATEGORY JUL 10
REVIEWS BUDGET SUBMISSION & PREPARES SUMMARY BUDGET BY COST CATEGORY JUL 2-9
#HOLDS HEARINGS WITH BUREAUS, OFFICES & HDQRS, MARINE CORPS JUL 10 - AUG 22
BUDGET MARKUP AND RECOMMENDATIONS AUG 23 - SEP 3
ASTSECDEF, COMPTROLLER, HOLDS HEARINGS & RECOMMENDS BUDGET TO SECDEF
EXAMINATION OF MARKUP, MILITARY IMPLICATIONS, & ADJUSTMENT OF DIFFERENCES - SEP 4-17
SECDEF REVIEWS AND TRANSMITS ESTIMATES TO BUREAU OF THE BUDGET
RECEIVES AND RESOLVES RECLAMA DIFFERENCES (CAB ATTENDS) SEP 21
REVIEWS STATUS OF BUDGET MARKUP AND RECOMMENDS ADJUSTMENTS (CAB) SEP 18
REVIEWS ESTIMATES AND JUSTIFICATIONS AND DETERMINES NAVY BUDGET
PROVIDES INSTRUCTIONS REGARDING FORM & CONTENT OF NAVAL ESTIMATES & JUSTIFICATIONS IN SUPPORT OF THE PRESIDENT'S BUDGET JAN 9
APPROVES AND TRANSMITS RESOLVED NAVY BUDGET OCT 1
INCORPORATES NAVY BUDGET INTO PRESIDENT'S BUDGET DOCUMENT
COORDINATES NAVY BUDGET AND JUSTIFICATIONS FOR PRESENTATION TO CONGRESS
PREPARE FINAL ESTIMATES AND JUSTIFICATIONS JAN 18

NOTES: CAB - indicates "CNO ADVISORY BOARD" (OPNAV INST 5420.28)
ALL DATES ARE APPROXIMATE.

*UNDERSECNAV, ASTSECNAVS, CNO & CMC ATTEND.
#ATTENDED BY APPROPRIATION AND PROGRAM SPONSORS FROM CNO AND CMC.

C O P Y C O P Y

(P.L. 216 - 81st Cong.)
(1st Session - H.R. 5632)

TITLE IV

"Promotion of Economy and Efficiency Through Establishment of Uniform Budgetary and Fiscal Procedures and Organizations

"Comptroller of Department of Defense

"Sec. 401 (a) There is hereby established in the Department of Defense the Comptroller of the Department of Defense, who shall be one of the Assistant Secretaries of Defense.

"(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including but not limited to those specified in this subsection. Subject to the authority, direction, and control of the Secretary of Defense the Comptroller shall --

"(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and

"(2) establish, and supervise the execution of --

"(A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to --

"(i) the preparation and execution of the budgets,
"(ii) fiscal, cost, operating, and capital property accounting,
"(iii) progress and statistical reporting,
"(iv) internal audit, and

"(B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and

"(3) establish uniform terminologies, classifications, and procedures in all such matters.

"Military Department Budget and Fiscal Organization--Departmental Comptrollers

"Sec. 402. (a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure and managerial procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with the operations of the Office of the Comptroller of the Department of Defense.

"(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force, as appropriate in the Department concerned. There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto. The Secretaries of the military departments may in their discretion appoint either civilian or military personnel as comptrollers of the military departments. Departmental comptrollers shall be under the direction and supervision of, and directly responsible to, either the Secretary, the Under Secretary, or an Assistant Secretary of the respective military departments: Provided, That nothing herein shall preclude the comptroller from having concurrent responsibility to a Chief of Staff or a Chief of Naval Operations, a Vice Chief of Staff or a Vice Chief of Naval Operations, or a Deputy Chief of Staff or a Deputy Chief of Naval Operations, if the Secretary of the military department concerned should so prescribe. Where the departmental comptroller is not a civilian, the Secretary of the department concerned shall appoint a civilian as Deputy Comptroller.

"Performance Budget

"Sec. 403. (a) The budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may determine, so as to account for, and report, the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs. So far as practicable, the budget estimates and authorized programs of the military departments shall be set forth in readily comparable form and shall follow a uniform pattern.

"(b) In order to expedite the conversion from present budget and accounting methods to the cost-of-performance method prescribed in this title, the Secretary of each military department, with the approval of the President and the Secretary of Defense, is authorized and directed, until the end of the second year following the date of enactment of this Act, to make such transfers and adjustments within the military department of which he is the head between appropriations available for obligation by such department in such manner as he deems necessary to cause the obligation and administration of funds and the reports of expenditures to reflect the cost of performance of such programs and activities. Reports of transfers and adjustments made pursuant to the authority of this subsection shall be made currently by the Secretary of Defense to the President and the Congress.

"Obligation of Appropriations

"Sec. 404. In order to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made, on and after the beginning of the next fiscal year following the date of enactment of this Act appropriations made to the Department of Defense or to the military departments, and reimbursements thereto, shall be available for obligation and expenditure only after the Secretary of Defense shall approve scheduled rates of obligation, or modifications thereof: Provided, That nothing in this section shall affect the right of the Department of Defense to incur such deficiencies as may be now or hereafter authorized by law to be incurred.

"Working Capital Funds

"Sec. 405. (a) In order more effectively to control and account for the cost of programs and work performed in the Department of Defense the Secretary of Defense is authorized to require the establishment of working capital funds in the Department of Defense for the purpose of --

"(1) financing inventories of such stores, supplies, materials, and equipment as he may designate; and

"(2) providing working capital for such industrial-type activities, and for such commercial-type activities as provide common services within or among the departments and agencies of the Department of Defense, as he may designate.

"(b) The Secretary of the Treasury is authorized and directed to establish on the books of the Treasury Department at the request of the Secretary of Defense the working capital funds established pursuant to the authority of this section.

"(c) Such funds shall be --

"(1) charged, when appropriate, with the cost of stores, supplies, materials, and equipment procured or otherwise acquired, manufactured, repaired, issued, and consumed and of services rendered or work performed, including applicable administrative expenses; and

"(2) reimbursed from available appropriations or otherwise credited for the cost of stores, supplies, materials, or equipment furnished and of services rendered or work performed, including applicable administrative expenses.

Reports of the condition and operations of such funds shall be made annually to the President and to the Congress.

"(d) The Secretary of Defense is authorized to provide capital for such working capital funds by capitalizing inventories on hand and, with the approval of the President, by transfer, until December 31, 1954, from unexpended balances of any appropriations of the military departments not carried to the surplus fund of the Treasury: Provided, That no deficiency shall be incurred in any such appropriation as a result of any such transfer. To the extent that such methods do not, in the determination of the Secretary of Defense, provide adequate amounts of working capital, there is hereby authorized to be appropriated, out of any moneys in the

Treasury not appropriated for other purposes, such sums as may be necessary to provide adequate working capital.

"(e) Subject to the authority and direction of the Secretary of Defense, the Secretaries of the military departments shall allocate responsibility within their respective military departments for the execution of functions which each military department is authorized by law to perform in such a manner as to effect the most economical and efficient organization and operation of the activities and use of the inventories for which working capital funds are authorized by this section.

"(f) No greater cost shall be incurred by the requisitioning agency for stores, supplies, materials, or equipment drawn from inventories, and for services rendered or work performed by the industrial-type or commercial-type activities for which working capital funds are authorized by this section, than the amount of appropriations or funds available for such purposes.

"(g) The Secretary of Defense is authorized to issue regulations to govern the operation of activities and use of inventories authorized by this section, which regulations may, whenever he determines the measures set forth in this subsection to be required by the needs of the Department of Defense, and when such measures are authorized by law, permit stores, supplies, materials, and equipment to be sold to, and services to be rendered or work performed for, purchasers or users outside the Department of Defense. In such cases, the working capital funds involved may be reimbursed by charges against appropriate appropriations or by payments received in cash.

"(h) The appraised value of all stores, supplies, materials, and equipment returned to such working capital funds from any department, activity, or agency, may be charged to the working capital fund concerned and the proceeds thereof shall be credited to the current appropriations concerned; the amounts so credited shall be available for expenditures for the same purposes as the appropriations credited; Provided, That the provisions of this subsection shall not permit credits to appropriations as the result of capitalization of inventories authorized by subsection (d) of this section.

"Management Funds

"Sec. 406. The Act of July 3, 1942 (56 Stat. 645, c. 484), as amended, is hereby further amended to read as follows:

" '(a) For the purpose of facilitating the economical and efficient conduct of operations in the Department of Defense which are financed by two or more appropriations where the costs of the operations are not susceptible of immediate distribution as charges to such appropriations, there are hereby established the Navy Management Fund, the Army Management Fund, and the Air Force Management Fund, each within, and under the direction of the respective Secretaries of, the Departments of the Navy, Army, or Air Force, as the case may be. There are authorized to be appropriated from time to time such funds as may be necessary to accomplish the purposes of the funds.

" '(b) The corpus of the Navy Management Fund shall consist of the sum of $1,000,000 heretofore transferred to the Naval Procurement Fund from the Naval Emergency Fund (17X0300), which amount, and all balances in, and obligations against, any accounts in the Naval Procurement Fund, are hereby transferred to the Navy Management Fund; the corpus of the Army Management Fund shall consist of the sum of $1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Army; the corpus of the Air Force Management Fund shall consist of the sum of $1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Air Force; in each case together with such additional funds as may from time to time be appropriated to any of said funds. Accounts for the individual operations to be financed under the respective management funds shall be established only upon approval by the Secretary of Defense.

" '(c) Expenditures may be made from said management funds from time to time for material (other than material for stock) and for personal and contractual services under such regulations as may be prescribed by the Secretary of Defense: Provided, (1) That no obligation shall be incurred against any such fund which is not properly chargeable to available funds under an appropriation of the department within which the fund is established or, whenever necessary to effectuate purposes authorized by this Act to funds of another department or agency within the Department of Defense, and (2) That each fund shall be promptly reimbursed from the appropriate appropriations of such department for all expenditures properly chargeable thereto. Nothing herein or in any other provision of law shall be construed to prevent advances by check or warrant, or reimbursements to any of said management funds from appropriations of said departments on the basis of the estimated cost of a project such estimated cost to be revised and necessary appropriation adjustments made when adequate data become available.

" '(d) Except as otherwise provided by law, amounts advanced to the management funds under the provisions of this Act shall be available for obligation only during the fiscal year in which they are advanced: Provided, That nothing contained in this Act shall alter or limit the authorized period of availability of the funds from which such advances are made. Final adjustments of advances in accordance with actual costs shall be effected with the appropriate funds for the fiscal year in which such funds are advanced.

" '(e) The portion of the Naval Appropriation Act, 1945 (58 Stat. 301, 310), relating to the Naval Procurement Fund is hereby repealed.'

"Adjustment of Accounts

"Sec. 407. (a) When under authority of law a function or an activity is transferred or assigned from one department or agency within the Department of Defense to another such department or agency, the balances of appropriations which are determined by the Secretary of Defense to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the President, be transferred to, and be available for use by, the department or agency to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established on the books of the Treasury Department, of the department or organization to which such function or activity is transferred, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund. Balances transferred to existing accounts shall be subject only to such limitations as are specifically applicable to such accounts and those transferred to new accounts shall be subject only to such limitations as are applicable to the appropriations from which they are transferred.

"(b) The number of employees which in the opinion of the Secretary of Defense is required for such transferred functions or activities may, with the approval of the Director of the Bureau of the Budget, be deducted from any personnel maximum or limitation of the department or agency within the Department of Defense from which such function or activity is transferred, and added to any such personnel maximum or limitation of the department or agency to which such function or activity is transferred.

"Availability of Reimbursements

"Sec. 408. To carry out the purposes of this Act, reimbursements made under the authority of the Economy Act (31 U.S.C. 686), and sums paid by or on behalf of personnel of any department or organization for services rendered or supplies furnished, may be credited to authorize replacing or other accounts. Funds credited to such accounts shall remain available for obligation for the same period as the funds in the account so credited and each account shall constitute one fund on the books of the Treasury Department.

"Common Use of Disbursing Facilities

"Sec. 409. To the extent authorized by the Secretary of Defense, disbursing officers of the Departments of the Army, Navy, and Air Force may, out of accounts of advances available to them, make disbursements covering obligations arising in connection with any function or activity of any other department or organization within the Department of Defense and charge upon vouchers the proper appropriation or appropriations of the other department or organization; Provided, That all said expenditures shall subsequently be adjusted in settlement of disbursing officers' accounts.

"Reports of Property

"Sec. 410. The Secretary of Defense shall cause property records to be maintained in the three military departments, so far as practicable on both a quantitative and monetary basis, under regulations which he shall prescribe. Such property records shall include the fixed property, installations, and major items of equipment as well as the supplies, material and equipment held in store by the armed services. The Secretary shall report annually thereon to the President and to the Congress.

"Repealing and Saving Provisions

"Sec. 411. All laws, orders, and regulations inconsistent with the provisions of this title are repealed insofar as they are inconsistent with the powers, duties, and responsibilities enacted hereby: Provided, That the powers, duties, and responsibilities of the Secretary of Defense under this title shall be administered in conformance with the policy and requirements for administration of budgetary and fiscal matters in the Government generally, including accounting and financial reporting, and that nothing in this title shall be construed as eliminating or modifying the powers, duties, and responsibilities of any other department, agency, or officer of the Government in connection with such matters, but no such department, agency, or officer shall exercise any such powers, duties, or responsibilities in a manner that will render ineffective the provisions of this title."

Miscellaneous and Technical Amendments and Saving Provisions

Sec. 12. (a) The National Security Act of 1947 is amended by striking out the term "National Military Establishment," wherever it appears in such Act, and inserting in lieu thereof "Department of Defense."

(b) Section 207(a) of the National Security Act of 1947 is amended to read as follows:

"Sec. 207. (a) Within the Department of Defense there is hereby established a military department to be known as the Department of the Air Force, and the Secretary of the Air Force who shall be the head thereof. The Secretary of the Air Force shall be appointed from civilian life by the President by and with the advice and consent of the Senate."

(c) Section 207(b) of the National Security Act of 1947 is repealed.

(d) The first sentence of Section 208(a) of the National Security Act of 1947 is amended by striking out the word "under" and inserting in lieu thereof the word "within."

(e) Section 308(b) of the National Security Act of 1947 is amended to read as follows:

"Sec. 308. (b) As used in this Act, the term 'Department of Defense' shall be deemed to include the military departments of the Army, the Navy, and the Air Force, and all agencies created under Title II of this Act."

(f) The titles of the Secretary of Defense, the Secretary of the Army, the Secretary of the Navy, the Secretary of the Air Force, the Under Secretaries and the Assistant Secretaries of the Departments of the Army, Navy, and Air Force, the Chairman of the Munitions Board, and the Chairman of the Research and Development Board, shall not be changed by virtue of this Act, and the reappointment of the officials holding such titles on the effective date of this Act shall not be required. It is hereby declared to be the intention of Congress that Section 203(a) of the National

Security Act of 1947, as amended by section 6 of this Act, shall not be deemed to have created a new office of Deputy Secretary of Defense but shall be deemed to have continued in existence, under a new title, the Office of Under Secretary of Defense which was established by the Act entitled "An Act to amend the National Security Act of 1947 to provide for an Under Secretary of Defense," approved April 2, 1949 (Public Law 36, Eighty-first Congress). The title of the official holding the Office of Under Secretary of Defense on the effective date of this Act shall be changed to Deputy Secretary of Defense and the reappointment of such official shall not be required.

(g) All laws, orders, regulations, and other actions relating to the National Military Establishment, the Departments of the Army, the Navy, or the Air Force, or to any officer or activity of such establishment or such departments, shall, except to the extent inconsistent with the provisions of this Act, have the same effect as if this Act had not been enacted; but, after the effective date of this Act, any such law, order, regulation, or other action which vested functions in or otherwise related to any officer, department, or establishment, shall be deemed to have vested such function in or relate to the officer or department, executive or military, succeeding the officer, department, or establishment in which such function was vested. For purposes of this subsection the Department of Defense shall be deemed the department succeeding the National Military Establishment, and the military departments of Army, Navy, and Air Force shall be deemed the departments succeeding the Executive Departments of Army, Navy, and Air Force.

(h) Section 208(e) of the National Security Act of 1947 is amended by substituting the word "three" for the word "two" appearing therein.

(i) Reorganization Plan No. 8 of 1949, which was transmitted to the Congress by the President on July 18, 1949, pursuant to the provisions of the Reorganization Act of 1949, shall not take effect, notwithstanding the provisions of section 6 of such Reorganization Act of 1949.

Approved: August 10, 1949

DEPARTMENT OF THE NAVY
Office of the Comptroller
Washington 25, D. C.

NAVCOMPT 5430.1A
NCD22
6 July 1956

NAVCOMPT INSTRUCTION 5430.1A

From: Comptroller of the Navy
To: All Ships and Stations

Subj: Current Charter of the Comptroller of the Navy

Encl: (1) Copy of revised charter, approved

1. Purpose. This Instruction forwards enclosure (1) which is a current copy of the Charter of the Comptroller of the Navy, as approved by the Secretary of the Navy.

2. Cancellation. NAVCOMPT Instruction 5430.1 of 18 November 1954, Current Charter of the Comptroller of the Navy, is hereby superseded and canceled.

W. B. FRANKE

CHARTER OF THE COMPTROLLER OF THE NAVY

I
AUTHORITY FOR COMPTROLLER

Public Law 216, approved 10 August 1949, amended the National Security Act of 1947 and, among other things, established in the Department of Defense and in each military department a comptroller, and vested in the said comptrollers authority and responsibility for certain functions, subject to the authority of their respective secretaries. The pertinent provisions of the statute are quoted below:

"COMPTROLLER OF DEPARTMENT OF DEFENSE

"SEC. 401. (a) There is hereby established in the Department of Defense the Comptroller of the Department of Defense, who shall be one of the Assistant Secretaries of Defense.

"(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including but not limited to those specified in this subsection. Subject to the authority, direction, and control of the Secretary of Defense, the Comptroller shall--

"(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and

"(2) establish, and supervise the execution of--

"(A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to--

"(i) the preparation and execution of the budgets,
"(ii) fiscal, cost, operating, and capital property accounting,
"(iii) progress and statistical reporting,
"(iv) internal audit, and

"(B) Policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and

"(3) established uniform terminologies, classifications, and procedures in all such matters.

"MILITARY DEPARTMENT BUDGET AND FISCAL ORGANIZATION--DEPARTMENTAL COMPTROLLERS

"SEC. 402. (a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure, and managerial procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with operations of the Office of the Comptroller of the Department of Defense.

"(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptroller of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto . . ."

II

DUTIES AND RESPONSIBILITIES OF THE COMPTROLLER OF THE NAVY

The mission of the Comptroller, under the authority of the Secretary of the Navy, is to formulate principles and policies and to prescribe procedures in the areas of budget, fiscal, accounting, audit, progress and statistical reporting throughout the Department of the Navy to the end that their use will result in meeting the operating and planning requirements of management with efficiency and economy. In general, the Comptroller will function in a staff capacity, except in specific cases when operations are required in the discharge of his statutory responsibilities, or by specific directive of higher authority. Examples of these exceptions are: The conduct of audits, the provision of financial assistance to defense contractors, and the performance of central accounting operations.

The Comptroller is directly responsible for budgeting, accounting,
* progress and statistical reporting, auditing, providing financial

assistance to defense contractors, and for the administrative organization structure and managerial procedures relating to such responsibilities within the Department of the Navy. In discharging these duties, he will be responsible for:

(a) Development and establishment of basic fiscal policy and supervision of the execution thereof.

(b) Budget Preparation: This responsibility extends to the technique and authority essential to the translation of policies, plans, and programs of the Secretary of the Navy and the Chief of Naval Operations into a formal budget for presentation to the Secretary of Defense, the Bureau of the Budget, and the Congress. The duties and responsibilities of the Comptroller in no way diminish the military authority of the Chief of Naval Operations through the military chain of command over operating forces and their essential support, including personnel distribution, military organization methods, and general military procedure. The Comptroller's organization shall assist the Chief of Naval Operations in the performance of such duties and the satisfaction of such responsibilities as the latter may have in connection with preparation and presentation of the budget.

(c) Budget administration, including a continuing review of the execution of approved budget plans and programs, and the allocation and apportionment of appropriations.

* (d) Provide budget information to the Assistant Secretary of the Navy (Personnel and Reserve Forces) for use in the allocation and control of civilian personnel ceilings.

(e) Determinations with respect to, and the administration of, the guaranteed loan program, advance and progress payments, and other credits relative to procurement contracts.

(f) Development and supervision of the execution of principles, policies, and procedures to be followed in fiscal, cost, capital and operating property, and working capital and management fund accounting throughout the Department of the Navy. Nothing herein shall be construed as divesting the Chief of Naval Operations and the bureaus and offices of the Navy Department* of their authority and responsibility with respect to inventory control, the determination of stock levels and distribution, and the physical items of property embraced therein.

(g) Prescription of the type and content of basic fiscal, cost, capital and operating property accounting records to be maintained by the bureaus and offices of the Department of the Navy.

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*Bureaus and offices, as used in this charter includes Headquarters, Marine Corps.

* (h) Development of audit principles, policies, programs, and procedures. Advising procurement authorities on auditing aspects of procurement contracts and accounting aspects of pricing policies and procedures.

(i) The development of policy and general systems of statistical and progress reporting, primarily with respect to fiscal and budgetary matters. The receipt and review of requests from the Department of Defense and other Government agencies for statistical data and the monitoring of completion and consolidation of these reports, when necessary.

(j) Reports control policy and the general implementation thereof with respect to matters under the cognizance of the Comptroller.

* (k) Administrative organization structure and managerial procedures relating to budgeting, accounting, progress and statistical reporting, and auditing within the Department of the Navy.

(l) Making available to management information collaterally generated through normal functioning of the Comptroller organization.

* (m) Technical control over accounting and disbursing for military pay and allowances and travel allowances and over bonding of accountable officers.

(n) Coordination and correlation of matters under his cognizance with the Comptrollers of the Departments of Defense, Army, and Air Force and other departments and agencies of the Government.

Orders and instructions issued by the Comptroller of the Navy in execution of the duties assigned to him by law, by this charter, or by other directive from higher authority shall be considered as emanating from the Secretary of the Navy, and shall have full force and effect as such.

III
DEPUTY COMPTROLLER

The Deputy Comptroller will assist the Comptroller in all matters and respects as directed by the Comptroller. He will act for the Comptroller in the latter's absence. Subject to the authority of the Comptroller, he will be responsible for the internal administration within the Office of the Comptroller.

IV
POLICY AND PLANNING COUNCIL

Under the direction of the Comptroller, the Policy and Planning Council composed of such organization heads as may be designated will:

(a) Coordinate and correlate action involving two or more organizational units of the office as may be required.

(b) Recommend policies and procedures to be followed by the Comptroller in his relations with the Department of Defense and other Government agencies.

(c) Recommend policies and procedures for the internal administration of the Comptroller's Office.

(d) Coordinate and correlate policy directives and procedural instructions promulgated by the Comptroller for publication in a permanent handbook or manual.

V

ASSISTANT COMPTROLLER, DIRECTOR OF BUDGET AND REPORTS

The Assistant Comptroller, Director of Budget and Reports, will:

(a) Be responsible for the organization and administration of matters relating to budget, reports, and statistics.

(b) Coordinate with, and obtain the concurrence of, the Chief of Naval Operations in the development of budget plans and programs, and their presentation to higher authority.

(c) Establish, develop, and supervise the execution of general principles, policies, and procedures governing the preparation and administration of the Navy budget.

* (d) Supervise and direct the preparation, analysis, and coordination and review of the budget estimates of the Department of the Navy and the presentation of the budget to the Secretary of Defense, the Bureau of the Budget, and the Congress.

(e) With counsel assigned to duty with the Comptroller, develop appropriation language and review legislation having budgetary significance.

(f) Establish uniform terminologies, classifications, and procedures in budget matters.

(g) Supervise the preparation and submission of reports to the Secretary of Defense, Bureau of the Budget, and the Treasury Department, covering the apportionment and the status of appropriations.

* (h) Allocate funds to bureaus and offices of the Department of the Navy and administer apportionments requested by the Comptroller and approved by the Secretary of Defense and the Bureau of the Budget.

* (i) Develop budget information for use in the allocation of overall civilian personnel ceilings to management bureaus and offices by the Assistant Secretary of the Navy (Personnel and Reserve Forces).

(j) Continuously review rates of obligation and expenditure of appropriated funds and develop budget control as an effective instrument of management.

(k) Plan and prepare statistical analyses to provide budgetary and fiscal information required for management control and determination of broad administrative policy.

(l) Receive and review requests from outside agencies for statistical data. Answer requests from published data when available, or channel requests to the proper bureau, board, or office, monitor the completion of these assignments, and consolidate reports when necessary.

(m) Maintain liaison with statistical offices of the Department of Defense and other Government agencies and represent the Navy on committees and in conferences dealing with statistical policies and methodology.

(n) Apply standards of budgetary control based upon cost accounting, fiscal accounting, work measurement, and other management reporting systems as appropriate.

(o) Determine the budget and fiscal reports and forms control policy for the Department of the Navy. Review reporting methods, procedures, and requirements for budgetary and fiscal statistical reports, and insure that full coordination precedes the establishment of new reports.

(p) Coordinate the development of standards of presentation, classification, and definition of data contained in progress and statistical reports in the budgetary field.

VI

ASSISTANT COMPTROLLER, ACCOUNTING, AND FINANCE

The Assistant Comptroller, Accounting and Finance, will:

(a) Be responsible for the organization and administration of matters relating to accounting and finance.

(b) Develop and supervise the execution of principles, policies, and procedures to be followed in fiscal, cost, capital and operating property accounting and working capital and management fund operations throughout the Department of the Navy.

(c) Prescribe the type and content of basic fiscal, cost, capital and operating property accounting records to be maintained by the bureaus and offices of the Department of the Navy.

(d) Develop uniform terminologies, classifications, and procedures in the areas covered in paragraphs (b) and (c) above.

(e) Develop and supervise the execution of policies and procedures relating to the obligation, expenditure, and collection of funds administered by the Department of the Navy.

(f) Develop and prepare for publication recurring summary reports of a fiscal, cost, capital and operating property accounting nature and compile special reports on these matters as required.

(g) Be responsible for the administration of advance payments, guaranteed loans, and progress payments; coordinate and arrange for financing interdepartmental and intradepartmental programs.

(h) Coordinate and correlate all of the foregoing responsibilities with the Comptroller of the Department of Defense and with other Government agencies.

(i) Coordinate the fiscal aspects of the dependents' school program.

(j) Subject to the approval of the Treasury Department, authorize the establishment of limited banking services at naval installations.

(k) Effect collection of debts arising from Navy contractual relationships, except amounts due under renegotiation.

* (l) Exercise technical control over accounting and disbursing for military pay and allowances and travel allowances and over bonding of accountable officers.

* (m) Within a policy framework established by law, the Secretary, and other naval authorities to whom secretarial delegations have been made, promulgate and interpret regulations, instructions, and procedures concerning accounting and disbursing of military pay and allowances and travel allowances; review the effectiveness of procedures so as to maintain integrity and improve efficiency of the Navy Pay System.

* (n) Propose new or modifying legislation concerning military pay and allowances and travel allowances and comment on such proposals initiated elsewhere.

* (o) Prepare or review requests for opinions of the Judge Advocate General or decisions of the Comptroller General concerning military pay and allowances and travel allowances.

* (p) Provide Navy representation on the Department of Defense committees on Military Pay and Allowances and on Military Pay Procedures and alternate Navy representation on the Joint Committee for Operation of the Uniform Services Contingency Option Act; maintain liaison with other governmental activities concerned with military pay, allowances, and travel.

* (q) Administer surety bonding of accountable personnel and provide support services and Treasury liaison for disbursing officers.

VII

ASSISTANT COMPTROLLER, AUDIT

The Assistant Comptroller, Audit, will:

* (a) Be responsible for the organization and administration of all Navy auditing activities; exercise management control over all field offices necessary to the efficient and effective performance of the audit function.

* (b) Develop audit principles and policies, and prescribe audit programs and procedures.

* (c) Perform audits, as required, of current, completed, and terminated procurement contracts, including those of the fixed price, time and material, cost, cost-plus-a-fixed-fee, and incentive types. Make other audits and accounting reviews under procurement contracts, as required, including those relating to unit costs, total costs, price redeterminations, fraud and investigations, system surveys, partial payments, and of Government furnished property placed in the custody of private industry under all types of procurement contracts or other forms of agreement.

* (d) Perform audits, as required, of all matters having financial significance at all activities within the Naval establishment, and render reports setting forth recommendations for corrective action where necessary.

(e) Render cost analysis and procurement liaison assistance, as required, in connection with the negotiation of contracts and changes thereto; and be responsible for the determination of the accounting accuracy of contractors' cost representations when such costs are the basis for contract price negotiation and/or reimbursement, including Army and Air Force contracts when assigned.

(f) Provide advice to procurement authorities on auditing aspects of procurement contracts and accounting aspects of pricing policies and procedures.

* (g) Represent the Comptroller of the Navy on Department of Defense and interservice committees engaged in dealing with contract audit directives in manual and circular letter form, contract cost principles, cost interpretations, and other matters relating to procurement contract costing.

* (h) Coordinate with the Naval Inspector General schedules of audits and examinations of field activities.

* (i) Coordinate all audit matters, as required, with the Comptroller of the Department of Defense, and other Military Departments and Agencies.

Approved, effective 6 July 1956

C. S. THOMAS
Secretary of the Navy

Public Law 639 - 84th Congress
Chapter 488 - 2d Session
H. R. 10986

AN ACT

All 70 Stat. 455.

Making appropriations for the Department of Defense for the fiscal year ending June 30, 1957, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1957, for military functions administered by the Department of Defense, and for other purposes, namely:

Department of Defense Appropriation Act, 1957.

TITLE I

OFFICE OF THE SECRETARY OF DEFENSE

Salaries and Expenses

For expenses necessary for the Office of the Secretary of Defense, including purchase (not to exceed five for replacement only) and hire of passenger motor vehicles; and not to exceed $60,000 for emergency and extraordinary expenses, to be expended under the direction of the Secretary of Defense for such purposes as he deems proper, and his determination thereon shall be final and conclusive; $14,500,000.

Office of Public Affairs

For salaries and expenses necessary for the Office of Public Affairs, $450,000.

TITLE II

INTERSERVICE ACTIVITIES

Claims

For payment of claims by the Office of the Secretary of Defense, the Army (except as provided in appropriations for civil functions administered by the Department of the Army), Navy, Marine Corps, and Air Force, as authorized by law; claims (not to exceed $1,000 in any one case) for damages to or loss of private property incident to the operation of Army and Air National Guard camps of instruction, either during the stay of units of said organizations at such camps or while en route thereto or therefrom; claims for damages arising under training contracts with carriers; and repayment of amounts determined by the Secretary of the Army, the Secretary of the Navy, or the Secretary of the Air Force, or officers designated by them, to have been erroneously collected from military and civilian personnel of the Departments of the Army, Navy, and Air Force or from States, Territories, or the District of Columbia, or members of National Guard units thereof; $11,000,000.

Contingencies

For emergencies and extraordinary expenses arising in the Department of Defense, to be expended on the approval or authority of the Secretary of Defense and such expenses may be accounted for solely on his certificate that the expenditures were necessary for confidential military purposes, $32,500,000: *Provided*, That a report of disbursements under this item of appropriation shall be made quarterly to the Appropriations Committees of the Congress.

Report to Congressional Committees.

Emergency Fund

For transfer by the Secretary of Defense, with the approval of the Bureau of the Budget, to any appropriation for military functions under the Department of Defense available for research and development, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation to which transferred, $85,000,000 and in addition not to exceed $50,000,000 to be used upon determination by the Secretary of Defense that such funds can be wisely, profitably, and practically used in the interest of national defense and to be derived by transfer from such appropriations available to the Department of Defense for obligation during the current fiscal year as the Secretary of Defense may designate.

Retired Pay

For retired pay and retirement pay, as authorized by law, of military personnel on the retired lists of the Army, Navy, Marine Corps, and the Air Force, including the reserve components thereof; retainer pay for personnel of the inactive Fleet Reserve, and payments under the Uniformed Services Contingency Option Act of 1953; $515,000,000.

67 Stat. 501.
37 USC 371 note.

Court of Military Appeals

For salaries and expenses necessary for the Court of Military Appeals, $375,000.

TITLE III

DEPARTMENT OF THE ARMY

Military Personnel

For pay, allowances, individual clothing, interest on deposits, and permanent change of station travel, for members of the Army on active duty (except those undergoing reserve training); expenses incident to movement of troop detachments, including rental of camp sites and procurement of utility and other services; expenses of apprehension and delivery of deserters, prisoners, and soldiers absent without leave, including payment of rewards (not to exceed $25 in any one case), and costs of confinement of military prisoners in nonmilitary facilities; donations of not to exceed $25 to each prisoner upon each release from confinement in an Army or contract prison (other than a disciplinary barracks) and to each person discharged for fraudulent enlistment; authorized issues of articles to prisoners, other than those in disciplinary barracks; subsistence of enlisted personnel, selective service registrants called for induction and applicants for enlistment while held under observation, and prisoners (except those at disciplinary barracks), or reimbursement therefor while such personnel are sick in hospitals; and subsistence of supernumeraries necessitated by emergent military circumstances; $3,566,704,000: *Provided*, That section 212 of the Act of June 30, 1932 (5 U. S. C. 59a), shall not apply to retired military personnel on duty at the United States Soldiers' Home: *Provided further*, That the duties of the librarian at the United States Military Academy may be performed by a retired officer detailed on active duty.

47 Stat. 406.

Maintenance and Operations

For expenses, not otherwise provided for, necessary for the maintenance and operation of the Army, including administration; medical and dental care of personnel entitled thereto by law or regulation (including charges of private facilities for care of military personnel on duty or leave, except elective private treatment), and other measures necessary to protect the health of the Army; care of the dead; chaplains' activities; awards and medals; welfare and recreation; information and educational services for the Armed Forces; recruiting expenses; subsistence of prisoners at disciplinary barracks, and of civilian employees as authorized by law; expenses of apprehension and delivery of prisoners escaped from disciplinary barracks, including payment of rewards not exceeding $25 in any one case, and expenses of confinement of such prisoners in nonmilitary facilities; donations of not to exceed $25 to each prisoner upon each release from confinement in a disciplinary barracks; military courts, boards, and commissions; authorized issues of articles for use of applicants for enlistment and persons in military custody; civilian clothing, not to exceed $30 in cost, to be issued each person upon each release from confinement in an Army or contract prison and to each soldier discharged for unsuitability, inaptitude, or otherwise than honorably, or sentenced by a civil court to confinement in a civil prison, or interned or discharged as an alien enemy; transportation services; communications services, including construction of communication systems; maps and similar data for military purposes; military surveys and engineering planning; contracts for maintenance of reserve tools and facilities for twelve months beginning at any time during the current fiscal year; alteration, extension, and repair of structures and property; acquisition of lands (not exceeding $5,000 for any one parcel), easements, rights-of-way, and similar interests in land; utility services for buildings erected at private cost, as authorized by law (10 U. S. C. 1346), and buildings on military reservations authorized by Army regulations to be used for a similar purpose; purchase of ambulances; hire of passenger motor vehicles; tuition and fees incident to training of military personnel at civilian institutions; field exercises and maneuvers, including payments in advance for rentals or options to rent land; expenses for the Reserve Officers' Training Corps and other units at educational institutions, as authorized by law; exchange fees, and losses in the accounts of disbursing officers or agents in accordance with law; expenses of inter-American cooperation, as authorized for the Navy by law (5 U. S. C. 421f) for Latin-American cooperation; not to exceed $4,681,000 for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Army, and payments may be made on his certificate of necessity for confidential military purposes, and his determination shall be final and conclusive upon the accounting officers of the Government; $2,967,057,000: *Provided*, That during the fiscal year 1957 the maintenance, operation, and availability of the Army-Navy Hospital at Hot Springs National Park, Arkansas, and the Murphy General Hospital in Boston, Massachusetts, to meet requirements of the military and naval forces shall be continued.

32 Stat. 282.

60 Stat. 858.

MILITARY CONSTRUCTION, ARMY RESERVE FORCES

For construction, acquisition, expansion, rehabilitation and conversion of facilities for the training and administration of the reserve components, including contributions therefor, as authorized by the Act of September 11, 1950 (64 Stat. 829), as amended, without regard to sections 1136 and 3734, Revised Statutes, as amended, and land and interests therein may be acquired and construction prosecuted thereon prior to the approval of title by the Attorney General as required by section 355 of the Revised Statutes, as amended; and hire of passenger motor vehicles; $55,000,000, to remain available until expended.

50 USC 881 note.

10 USC 1339;
40 USC 259, 267.

33 USC 733.

RESERVE PERSONNEL

For pay, allowances, clothing, subsistence, transportation, travel and related expenses, as authorized by law, for personnel of the Army Reserve while on active duty under section 252 of the Armed Forces Reserve Act of 1952, or undergoing Reserve training or while performing drills or equivalent duty, and for members of the Reserve Officers' Training Corps; subsistence for members of the Army Reserve for drills of eight or more hours' duration in any one calendar day; $215,000,000.

66 Stat. 496.
50 USC 1003.

ARMY NATIONAL GUARD

For pay, allowances, clothing, subsistence, transportation, and travel, as authorized by law, for personnel of the Army National Guard while on duty under section 252 of the Armed Forces Reserve Act of 1952, or while undergoing training or while performing drills or equivalent duties; expenses of training, organizing and administering the Army National Guard, including maintenance, operation, and alterations to structures and facilities; hire of passenger motor vehicles; personal services in the National Guard Bureau and services of personnel of the National Guard employed as civilians without regard to their military rank, and the number of caretakers authorized to be employed under provisions of law (32 U. S. C. 42) may be such as is deemed necessary by the Secretary of the Army; subsistence for officers attending drills of eight or more hours duration in any one calendar day; travel expenses (other than mileage), as authorized by law for Army personnel on active duty, for Army National Guard division, regimental, and battalion commanders while inspecting units in compliance with National Guard regulations when specifically authorized by the Chief, National Guard Bureau; supplying and equipping the Army National Guard of the several States, Territories, and the District of Columbia, as authorized by law; and expenses of repair, modification, maintenance, and issue of supplies and equipment (including aircraft); $320,162,000: *Provided*, That obligations may be incurred under this appropriation for training of units designated for early deployment under mobilization plans and for installation, maintenance, and operation of facilities for antiaircraft defense without regard to section 67 of the National Defense Act.

66 Stat. 496.
50 USC 1003.

54 Stat. 1134.

39 Stat. 199.
32 USC 21, 22, 49.

RESEARCH AND DEVELOPMENT

For expenses necessary for basic and applied scientific research and development, including maintenance, rehabilitation, lease and operation of facilities and equipment, as authorized by law, $410,000,000, to remain available until expended.

NATIONAL BOARD FOR THE PROMOTION OF RIFLE PRACTICE, ARMY

For necessary expenses of construction, equipment and maintenance of rifle ranges, the instruction of citizens in marksmanship, and promotion of rifle practice, in accordance with law, including travel of rifle teams, military personnel, and individuals attending regional, national, and international competitions, and not to exceed $18,000 for incidental expenses of the National Board, $357,000: *Provided*, That travel expenses of civilian members of the National Board shall be paid in accordance with the Standarized Government Travel Regulations, as amended.

ALASKA COMMUNICATION SYSTEM

For expenses necessary for the operation, maintenance, and improvement of the Alaska Communication System, including purchase (not to exceed four for replacement only) and hire of passenger motor vehicles, $5,000,000, to remain available until the close of the fiscal year 1958, and, in addition, not to exceed 15 per centum of the current fiscal year receipts of the Alaska Communication System may be merged with and used for the purposes of this appropriation.

REDUCTION IN APPROPRIATION

ARMY INDUSTRIAL FUND

The amount available in the Army Industrial Fund is hereby reduced by $110,000,000, such sum to be covered into the Treasury immediately upon approval of this Act.

TITLE IV

DEPARTMENT OF THE NAVY

MILITARY PERSONNEL, NAVY

For pay, allowances, subsistence, interest on deposits, gratuities, clothing, permanent change of station travel (including expenses of temporary duty between permanent duty stations), training duty travel of midshipmen paid hereunder, and transportation of dependents, household effects (including storage thereof), and privately owned automobiles, as authorized by law, for regular and reserve personnel on active duty (except those on active duty while undergoing reserve training), midshipmen at the Naval Academy, and aviation cadets, $2,478,316,000.

RESERVE PERSONNEL, NAVY

For pay, allowances, clothing, subsistence, gratuities, and travel, as authorized by law, for personnel of the Naval Reserve on active duty while undergoing reserve training, or while performing drills or equivalent duty, regular and contract enrollees in the Naval Reserve Officers' Training Corps, and retainer pay authorized by the Act of August 13, 1946 (34 U. S. C. 1020h), $95,000,000. 60 Stat. 1060.

NAVY PERSONNEL, GENERAL EXPENSES

For expenses necessary for general training, education and administration of regular and reserve personnel, including tuition, cash book allowances of not to exceed $50 for each Naval Aviation College program student, and other costs incurred at civilian schools, general training aids and devices, procurement of military personnel, and authorized annuity premiums and retirement benefits for civilian members of teaching staffs; maintenance and operation of Navy training and personnel facilities, including the Naval Academy, Naval Postgraduate School, Naval War College, Naval Home, Navy training schools and facilities, disciplinary barracks, and retraining commands; hire of motor vehicles; not to exceed $30 per person for civilian clothing, including an overcoat when necessary, for enlisted personnel discharged for inaptitude or unsuitability or otherwise than honorably; welfare and recreation; medals and other awards; and departmental salaries; $83,980,000.

Military Personnel, Marine Corps

For pay, allowances, subsistence, interest on deposits, gratuities, clothing, permanent change of station travel (including expenses of temporary duty between permanent duty stations), and transportation of dependents, household effects (including storage thereof), and privately owned automobiles, as authorized by law, for regular and reserve personnel on active duty (except those on active duty while undergoing reserve training), $647,100,000.

Reserve Personnel, Marine Corps

For pay, allowances, clothing, subsistence, gratuities, and travel, as authorized by law, for personnel of the Marine Corps Reserve and the Marine Corps platoon leaders class on active duty while undergoing reserve training, or while performing drills or equivalent duty, $26,800,000.

Marine Corps Procurement

For expenses necessary for the procurement, manufacture, and modification of armament, ammunition, military equipment and vehicles for the Marine Corps, including purchase of passenger motor vehicles: $164,000,000, to remain available until expended.

Marine Corps Troops and Facilities

For necessary expenses of troops and facilities of the Marine Corps not otherwise provided for, including maintenance and operation of equipment and facilities, and procurement of military personnel; training and education of regular and reserve personnel, including tuition and other costs incurred at civilian schools; welfare and recreation; not to exceed $30 per person for civilian clothing, including an overcoat when necessary, for enlisted personnel discharged for inaptitude or unsuitability or otherwise than honorably; procurement and manufacture of military supplies, equipment and clothing; hire of passenger motor vehicles; transportation of things; industrial mobilization; medals, awards, emblems and other insignia; and departmental salaries; $171,820,000.

Aircraft and Related Procurement

For construction, procurement, and modernization of aircraft and equipment, including ordnance, spare parts, and accessories therefor; specialized equipment; expansion of public and not to exceed $10,000,000 for expansion of private plants, including the land necessary therefor, without regard to section 3734, Revised Statutes, as amended, and such land, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title by the Attorney General as required by section 355, Revised Statutes, as amended; procurement and installation of equipment in public or private plants; and departmental salaries necessary for the purposes of this appropriation; $1,732,900,000, to remain available until expended.

40 USC 259, 267.

33 USC 733 and note.

Aircraft and Facilities

For expenses necessary for maintenance, operation, and modification of aircraft; maintenance, operation, and lease of air stations and facilities, testing laboratories, fleet and other aviation activities; procurement of services, supplies, special clothing, tools, materials, and equipment, including rescue boats; industrial mobilization; aerological services, supplies, and equipment for the Navy and Marine Corps; and departmental salaries; $810,772,000: *Provided*, That $725,000 of the foregoing amount shall be transferred to the appropriation "Salaries and expenses, Weather Bureau, Department of Commerce", fiscal year 1957.

SHIPBUILDING AND CONVERSION

For expenses necessary for the construction, acquisition, or conversion of vessels as authorized by law, including armor and armament therefor, plant equipment, appliances, and machine tools, and installation thereof in public or private plants; procurement, production, and modernization of electronic equipment and material for ships; procurement of critical long lead time components and designs for vessels to be constructed or converted in the future; expansion of public and private plants, including land necessary therefor, without regard to section 3734, Revised Statutes, as amended, and such land, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title by the Attorney General as required by section 355, Revised Statutes, as amended; and departmental salaries necessary for the purposes of this appropriation; $1,479,700,000, to remain available until expended. 40 USC 259, 267. 33 USC 733 and note.

SHIPS AND FACILITIES

For expenses necessary for design, maintenance, operation, and alteration of vessels; maintenance and operation of facilities; procurement of plant equipment, appliances, and machine tools, and installation thereof in public or private plants; procurement of equipment, supplies, special clothing and services; installation, maintenance, and removal of ships' ordnance; lease of facilities and docks; charter and hire of vessels; relief of vessels in distress; maritime salvage services; industrial mobilization; and departmental salaries; $766,040,000; of which $16,240,000 shall be transferred to the appropriation "Coast Guard Operating Expenses, 1957" for the operation of ocean stations: *Provided*, That notwithstanding the availability of the trust fund "Naval Reservation, Olongapo Civic Fund," this appropriation shall be available for such support of the town of Olongapo as may be authorized by law.

CONSTRUCTION OF SHIPS

The limit on the total of obligations which may be incurred under this head for construction, conversion, or replacement, approved after July 17, 1947, is reduced from "$1,243,289,000" to "$1,224,861,000", and the authority to enter into contracts heretofore granted under this head is reduced by the sum of $18,428,000. Appropriations under this head shall not be available for obligation after June 30, 1957, or for expenditure after June 30, 1958, and any unexpended balance remaining therein on June 30, 1958, shall be disposed of pursuant to the provisions of the Surplus Fund-Certified Claims Act of 1949 (31 U. S. C. 712b). 63 Stat. 407.

PROCUREMENT OF ORDNANCE AND AMMUNITION

For expenses necessary for the production and procurement of Navy ordnance and ammunition (except ordnance for new aircraft, new ships, and ships authorized for conversion); expansion of public and private plants, including land necessary therefor, without regard to section 3734, Revised Statutes, as amended, and such land, and inter- 40 USC 259,367.

ests therein, may be acquired and construction prosecuted thereon prior to approval of title by the Attorney General as required by section 355, Revised Statutes, as amended; and procurement of plant equipment, appliances, and machine tools, and installation thereof in public or private plants; $294,000,000, to remain available until expended.

33 USC 733 and note.

Ordnance and Facilities

For expenses necessary for inspection, testing, modification, alteration, preservation, and handling of ordnance and ammunition; maintenance of ordnance (except installation, maintenance, and removal of ships' ordnance, and line maintenance of ordnance installed in aircraft); maintenance and operation of ordnance facilities; procurement of equipment, supplies, special clothing and services; procurement of plant equipment, appliances, and machine tools, and installation thereof in naval plants; lease of facilities; industrial mobilization; and departmental salaries; $163,680,000.

Ordnance for New Construction

The limit on the total of obligations which may be incurred under this head for armor, armament, and ammunition for construction, conversion, or replacement approved between July 17, 1947, and June 30, 1951, is reduced from "$356,123,000" to "$335,123,000", and the authority to enter into contracts heretofore granted under this head is reduced by the sum of "$21,000,000". Appropriations under this head shall not be available for obligation after June 30, 1957, or for expenditure after June 30, 1958, and any unexpended balance remaining therein on June 30, 1958, shall be disposed of pursuant to the provisions of the Surplus Fund-Certified Claims Act of 1949 (31 U. S. C. 712b).

63 Stat. 407.

Medical Care

For expenses necessary for maintenance and operation of naval hospitals, medical centers, clinics, schools, and other medical activities; technical medical support of the supply system and other naval activities; procurement of ambulances, medical and dental supplies, equipment and services; instruction of medical personnel in naval hospitals, naval schools, and civilian schools; industrial mobilization; care of the dead; and departmental salaries; $61,323,000.

Civil Engineering

For expenses necessary for maintenance and operation of district public works offices, public works centers, construction battalion centers, defense housing projects, other civil engineering facilities, and shore activities not otherwise provided for; procurement of services, supplies, and equipment for the foregoing activities; purchase and hire of passenger motor vehicles; engineering services; industrial mobilization; and departmental salaries; $129,600,000.

Military Construction, Naval Reserve Forces

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the reserve components of the Navy and Marine Corps, including contributions therefor, as authorized by the Act of September 11, 1950 (64 Stat. 829), as amended, without regard to section 3734, Revised Statutes, as amended, and land and interests therein may be acquired and construction prosecuted thereon prior to the approval of title by the

50 USC 881 note.
40 USC 259, 267.

Attorney General as required by section 355, Revised Statutes, as amended; $9,704,000, to remain available until expended.

33 USC 733 and note.

Research and Development

For expenses necessary for basic and applied scientific research and development, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law, $492,000,000, to remain available until expended.

Service-Wide Supply and Finance

For expenses necessary for maintenance and operation of service-wide supply and finance activities, including supply depots and centers, area provision supply and purchasing offices, supply demand control points, fleet fueling facilities, overseas air cargo terminals, regional accounting and disbursing offices, the material catalog office, and other service-wide supply and finance facilities, as designated by the Secretary; procurement of supplies, services, special clothing, and equipment; transportation of household effects of civilian employees; industrial mobilization; losses in exchange and in the accounts of disbursing officers, as authorized by law; and departmental salaries; $289,644,000.

Service-Wide Operations

For expenses necessary for maintenance and operation of the Naval Observatory, the Hydrographic Office, service-wide communications, naval records centers, naval district headquarters (except training officers), river commands, the cost inspection service, and other service-wide operations and functions not otherwise provided for; procurement of supplies, services and equipment for activities financed hereunder; cryptographic equipment; Latin-American cooperation; not to exceed $9,690,000 for emergencies and extraordinary expenses as authorized by section 6 of the Act of August 2, 1946 (5 U. S. C. 419c), to be expended on the approval and authority of the Secretary, and his determination shall be final and conclusive upon the accounting officers of the Government; and departmental salaries; $102,435,000.

60 Stat. 853.

Naval Petroleum Reserves

For expenses necessary for exploration, prospecting, conservation, development, use, and operation of the naval petroleum reserves, as authorized by law, $683,000.

Naval Emergency Fund

The appropriation "Naval emergency fund" shall not be available for obligation or expenditure after June 30, 1956, and any unexpended balance remaining therein on that date shall be covered into the Treasury.

Reductions in Appropriations

The amounts available in the several funds named below are hereby reduced by the respective sums indicated, such sums to be covered into the Treasury immediately upon approval of this Act:

Navy Stock Fund, $100,000,000;
Marine Corps Stock Fund, $3,000,000;
Navy Industrial Fund, $52,000,000;
Construction of Ships, $3,800,000;
Ordnance for New Construction, $1,000,000.

TITLE V

DEPARTMENT OF THE AIR FORCE

Aircraft and Related Procurement

For construction, procurement, and modification of aircraft and equipment, armor and armament, spare parts and accessories therefor; specialized equipment; expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land without regard to section 1136, Revised Statutes, as amended, for the foregoing and other purposes, and such land, and interests therein, may be acquired and construction prosecuted thereon prior to the approval of title by the Attorney General as required by section 355, Revised Statutes, as amended: reserve plant and equipment layaway; and other expenses necessary for the foregoing purposes, including rents and transportation of things; $6,848,500,000, to remain available until expended.

10 USC 1339.

33 USC 733 and note.

Procurement Other Than Aircraft

For procurement and modification of equipment, supplies, and materials, and spare parts therefor, not otherwise provided for; ground electronic and communication equipment; and the purchase of passenger motor vehicles; $1,140,000,000, to remain available until expended.

Research and Development

For expenses necessary for basic and applied scientific research and development, including maintenance, rehabilitation, lease and operation of facilities and equipment, as authorized by law, $710,000,000, to remain available until expended.

Operation and Maintenance

For expenses, not otherwise provided for, necessary for the operation, maintenance, and administration of the activities of the Air Force, including the Air Force Reserve and the Air Reserve Officers' Training Corps; maintenance, operation, and modification of aircraft; transportation of things; repair of facilities; field printing plants; hire of passenger motor vehicles; recruiting advertising expenses; training and instruction of military personnel of the Air Force, including tuition and related expenses; pay, allowances, and travel expenses of contract surgeons; utility services for buildings erected at private cost as authorized by law (10 U. S. C. 1346), and buildings on military reservations authorized by Air Force regulations to be used for welfare and recreational purposes; rental of land or purchase of options to rent land without reference to section 3648, Revised Statutes, as amended, use or repair of private property, and other necessary expenses of combat maneuvers; civilian clothing not to exceed $30 in cost for each person upon each release from a military prison, each enlisted man discharged for unsuitability, inaptitude, or otherwise than honorably, each enlisted man sentenced by a civil court to confinement in a civil prison, and each enlisted man interned, or discharged without internment as an alien enemy; authorized issues of articles for use of applicants for enlistment and persons in military custody; payment of exchange fees and exchange losses incurred by Air Force disbursing officers or their agents; losses in the accounts of Air Force disbursing officers as authorized by law (31 U. S. C. 95a;

32 Stat. 282.

31 USC 529.

50 U. S. C. 1705-1707); care of the dead; chaplain and other welfare and morale supplies and equipment; conduct of schoolrooms, service clubs, chapels, and other instructional, entertainment, and welfare expenses for enlisted men and patients not otherwise provided for; awards and decorations; expenses of courts, boards and commissions; expenses for inter-American cooperation as authorized for the Navy by the Act of August 2, 1946 (5 U. S. C. 421f) for Latin-American cooperation; industrial mobilization, including maintenance of reserve plants and equipment and procurement planning; and special services by contract or otherwise; not to exceed $7,000,000 for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes, and his determination shall be final and conclusive upon the accounting officers of the Government; $3,724,185,000.

58 Stat. 800, 921.
50 USC app. 1705-1707.

60 Stat. 858.

MILITARY PERSONNEL

For pay, allowances, clothing, subsistence, transportation, interest on deposits of enlisted personnel, and travel in kind for cadets and permanent change of station travel for all other personnel of the Air Force of the United States on active duty including duty under section 5, National Defense Act, as amended, or section 252 of the Armed Forces Reserve Act of 1952 (50 U. S. C. 1003) (other than personnel of the reserve components, including the Air National Guard, on active duty while undergoing Reserve training), including commutation of quarters, subsistence supplies for issue as rations to enlisted personnel, and clothing allowances, as authorized by law; and, in connection with personnel paid from this appropriation, for rental of camp sites and local procurement of utility services and other necessary expenses incident to individual or troop movements (including packing and unpacking and transportation of organizational equipment); ice, meals for recruiting parties, monetary allowances for liquid coffee for troops when supplied cooked or travel rations, and commutation of rations, as authorized by law, to enlisted personnel, including those sick in hospitals; transportation, as authorized by law, of dependents, baggage, and household effects (including storage thereof) of personnel paid from this appropriation; rations for applicants for enlistment, prisoners of war, and general prisoners; subsistence supplies for resale, as authorized by law; commutation of rations, as authorized by regulations, to applicants for enlistment and general prisoners while sick in hospitals; subsistence of supernumeraries necessitated by emergent military circumstances; expenses of apprehension and delivery of deserters, prisoners, and members of the Air Force absent without leave, including payment of rewards (not to exceed $25 in any one case); confinement of military prisoners in nonmilitary facilities; and donations of not to exceed $25 to each civilian prisoner upon each release from a military prison, to each enlisted man discharged otherwise than honorably upon each release from confinement under court-martial sentence, and to each person discharged for fraudulent enlistment; $3,718,440,000, of which not to exceed $57,853,000 may be transferred to the appropriation, "Military personnel, 1956".

39 Stat. 167.
10 USC 38.
66 Stat. 496.

RESERVE PERSONNEL

For pay, allowances, clothing, subsistence, and travel for personnel of the Air Force Reserve and the Air Reserve Officers' Training Corps, while on active duty undergoing Reserve training or while performing drills or equivalent duty, as authorized by law; and the procurement and issue of uniforms to institutions necessary for the training of the Air Reserve Officers' Training Corps, as authorized by law; $59,300,000.

AIR NATIONAL GUARD

39 Stat. 167,203.
10 USC 38; 32 USC 66, 171-176.
66 Stat. 496.
64 Stat. 829.
50 USC 881 note.
39 Stat. 205;
54 Stat. 1134.

For pay, allowances, clothing, subsistence, transportation (including mileage, actual and necessary expenses, or per diem in lieu thereof), medical and hospital treatment and related expenses, for members of the Air National Guard while undergoing Reserve training or while performing drills or equivalent duty, including officers on duty under sections 5 and 81, National Defense Act, as amended, and section 252 of the Armed Forces Reserve Act of 1952 (50 U. S. C. 1003), as authorized by law; travel expenses (other than mileage) on the same basis as authorized by law for Air National Guard personnel on active Federal duty, of Air National Guard commanders while inspecting units in compliance with National Guard regulations when specifically authorized by the Chief, National Guard Bureau; establishment, maintenance, operation, repair, and other necessary expenses of facilities for the training and administration of the Air National Guard, including construction of facilities, and additions, extensions, alterations, improvements, and rehabilitation of existing facilities, as authorized by the Act of September 11, 1950 (Public Law 783), as amended; maintenance, operation, and modification of aircraft; transportation of things; purchase and hire of passenger motor vehicles; procurement and issue to the Air National Guard of the several States, Territories, and the District of Columbia of supplies, materials, and equipment, as authorized by law; and expenses incident to the maintenance and use of supplies, materials, and equipment, including such as may be furnished from stocks under the control of agencies of the Department of Defense; $258,700,000: *Provided*, That the number of caretakers authorized to be employed under the provisions of law (32 U. S. C. 42) may be such as is deemed necessary by the Secretary of the Air Force.

REDUCTION IN APPROPRIATION

AIR FORCE STOCK FUND

The amount available in the Air Force Stock Fund is hereby reduced by $50,000,000, such sum to be covered into the Treasury immediately upon approval of this Act.

TITLE VI

GENERAL PROVISIONS

Experts or consultants.
60 Stat. 810.

SEC. 601. During the current fiscal year, the Secretary of Defense and the Secretaries of the Air Force, Army, and Navy, respectively, if they should deem it advantageous to the national defense, and if in their opinions, the existing facilities of the Department of Defense are inadequate, are authorized to procure services in accordance with section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), but at rates for individuals not in excess of $50 per day under regulations prescribed by the Secretary of Defense, and to pay in connection therewith travel expenses of individuals, including actual transportation and per diem in lieu of subsistence while traveling from their homes or places of business to official duty station and return as may be authorized by law: *Provided*, That such contracts may be renewed annually.

Noncitizens.

SEC. 602. During the current fiscal year, provisions of law prohibiting the payment of compensation to, or employment of, any person not a citizen of the United States shall not apply to personnel of the Department of Defense.

Availability of appropriations.

SEC. 603. Appropriations contained in this Act shall be available for insurance of official motor vehicles in foreign countries, when required by laws of such countries; payments in advance of expenses determined by the investigating officer to be necessary and in accord with local custom for conducting investigations in foreign countries incident to matters relating to the activities of the department concerned; reimbursement of General Services Administration for security guard services for protection of confidential files; and all necessary expenses, at the seat of government of the United States of America or elsewhere, in connection with (1) instruction and training, including tuition, specifically approved by the Secretary of the department concerned and not otherwise provided for, of civilian employees, and (2) communication and other services and supplies as may be necessary to carry out the purposes of this Act: *Provided*, That no appropriation contained in this Act, and no funds available from prior appropriations to component departments and agencies of the Department of Defense, shall be used to pay tuition or to make other payments to educational institutions in connection with the instruction or training of file clerks, stenographers, and typists receiving, or prospective file clerks, stenographers, and typists who will receive compensation at a rate below the minimum rate of pay for positions allocated to grade GS-5 under the Classification Act of 1949, as amended.

63 Stat. 954.
5 USC 1071 note.

Prisoners of war, etc.

SEC. 604. Any appropriation available to the Air Force, Army, or the Navy may, under such regulations as the Secretary concerned may prescribe, be used for expenses incident to the maintenance, pay, and allowances of prisoners of war, other persons in Air Force, Army, or Navy custody whose status is determined by the Secretary concerned to be similar to prisoners of war, and persons detained in such custody pursuant to Presidential proclamation.

Minor construction.

SEC. 605. Appropriations available to the Department of Defense for the current fiscal year for construction or maintenance shall be available for minor construction (except family quarters), conversion of and extensions to existing structures, and improvements, at facilities of the Department concerned, but the cost of any project authorized under this section which is not otherwise authorized shall not exceed the following cost limitations, but only one allotment shall be made for any one project or unit: (a) any such project determined by the Secretary of Defense to be urgently required in the interests of national defense, $200,000; (b) any such project determined by the Secretary of the Department concerned to be urgently required in the interests of national defense, $50,000; and (c) any other such project, $25,000: *Provided*, That the cost limitations of this section shall not apply to amounts authorized to be expended for emergency expenses on the approval of the Secretary concerned: *Provided further*, That the cost of converting existing structures to family quarters pursuant to the authority contained in this section shall not exceed $50,000 during the current fiscal year at any single facility of the Department concerned.

Family quarters.

SEC. 606. During the current fiscal year, appropriations otherwise available for construction of family quarters for personnel shall not be obligated for such construction at a cost per family unit in excess of $20,000 on housing units for generals or equivalent; $18,000 on housing units for colonels or equivalents; $16,000 on housing units for majors and lieutenant colonels, or equivalent; $14,000 on housing units for second lieutenants, lieutenants, captains, and warrant officers, or equivalent; or $12,000 on housing units for enlisted personnel, except that when such units are constructed outside the continental United States or in Alaska, the average cost per unit of all such units shall not exceed $25,850 and in no event shall the individual cost exceed $35,000, except units for the Alaska Communication System the individual cost of which shall not exceed $40,000.

Schooling for dependents.
64 Stat. 1100.
60 Stat. 854.
Occupied areas.
Rewards, Navy.
60 Stat. 858.
5 USC 421f.
Payment of deficiency judgments.
62 Stat. 277.

Sec. 607. Appropriations for the Department of Defense for the current fiscal year shall be available, (a) except as authorized by the Act of September 30, 1950 (20 U. S. C. 236–244), for primary and secondary schooling for dependents of military and civilian personnel of the Department of Defense residing on military or naval installations or stationed in foreign countries, as authorized for the Navy by section 13 of the Act of August 2, 1946 (5 U. S. C. 421d) in amounts not exceeding an average of $245 per student, when the Secretary of the Department concerned finds that schools, if any, available in the locality, are unable to provide adequately for the education of such dependents; (b) for expenses in connection with administration of occupied areas; (c) for payment of rewards as authorized for the Navy by the Act of August 2, 1946, for information leading to the discovery of missing naval property or the recovery thereof; (d) for payment of deficiency judgments and interest thereon arising out of condemnation proceedings; (e) for payment of rentals at the seat of government or elsewhere, and, in administering the provisions of 43 U. S. C. 315q, rentals may be paid in advance.

Canal Zone.
Citizenship requirements.
Panamanian citizens.
48 USC 1307 note.
Employees with 15 or more years of service.
Hours of employment; pay rate.
Suspension of compliance.

Sec. 608. No part of any appropriation contained in this Act shall be used directly or indirectly except for temporary employment in case of emergency, for the payment of any civilian for services rendered by him on the Canal Zone while occupying a skilled, technical, clerical, administrative, executive, or supervisory position unless such person is a citizen of the United States of America or the Republic of Panama: *Provided, however*, (1) That, notwithstanding the provision in the Act approved August 11, 1939 (53 Stat. 1409), limiting employment in the above-mentioned positions to citizens of the United States from and after the date of approval of said Act, citizens of Panama may be employed in such positions; (2) that at no time shall the number of Panamanian citizens employed in the above-mentioned positions exceed the number of citizens of the United States so employed, if United States citizens are available in continental United States or on the Canal Zone; (3) that nothing in this Act shall prohibit the continued employment of any person who shall have rendered fifteen or more years of faithful and honorable service on the Canal Zone; (4) that in the selection of personnel for skilled, technical, administrative, clerical, supervisory, or executive positions the controlling factors in filling these positions shall be efficiency, experience, training, and education; (5) that all citizens of Panama and the United States rendering skilled, technical, clerical, administrative, executive, or supervisory service on the Canal Zone under the terms of this Act (a) shall normally be employed not more than forty hours per week, (b) may receive as compensation equal rates of pay based upon rates paid for similar employment in continental United States plus 25 per centum; (6) this entire section shall apply only to persons employed in skilled, technical, clerical, administrative, executive, or supervisory positions on the Canal Zone directly or indirectly by any branch of the United States Government or by any corporation or company whose stock is owned wholly or in part by the United States Government: *Provided further*, That the President may suspend from time to time in whole or in part compliance with this section if he should deem such course to be in the public interest.

Assistance to American small business.

SEC. 609. Insofar as practicable, the Secretary of Defense shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds appropriated under this Act by making available or causing to be made available to suppliers in the United States, and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with funds appropriated under this Act, and by making available or causing to be made available to purchasing and contracting agencies of the Department of Defense information as to commodities and services produced and furnished by small independent enterprises in the United States, and by otherwise helping to give small business an opportunity to participate in the furnishing of commodities and services financed with funds appropriated by this Act.

Mess operations.

Travel-status rate.

SEC. 610. No appropriation contained in this Act shall be available for expenses of operation of messes (other than organized messes the operating expenses of which are financed principally from nonappropriated funds) at which meals are sold to officers or civilians except under regulations approved by the Secretary of Defense, which shall (except under unusual or extraordinary circumstances) establish rates for such meals sufficient to provide reimbursement of operating expenses and food costs to the appropriations concerned: *Provided*, That officers and civilians in a travel status receiving a per diem allowance in lieu of subsistence shall be charged at the rate of not less than $2.25 per day: *Provided further*, That for the purposes of this section payments for meals at the rates established hereunder may be made in cash or by deductions from the pay of civilian employees.

Availability of appropriations.

SEC. 611. No part of any appropriation contained in this Act shall be available until expended unless expressly so provided elsewhere in this or some other appropriation Act.

Proceeds from sale of scrap.

SEC. 612. Not more than $41,000,000 of the amounts received during the current fiscal year by the Department of Defense as proceeds from the sale of scrap, salvage or surplus materials, shall be available during the current fiscal year for expenses of transportation, demilitarization, and other preparation for sale or salvage of military supplies, equipment, and materiel: *Provided*, That a report of receipts and disbursements under this limitation shall be made quarterly to the Committees on Appropriations of the Congress: *Provided further*, That no funds available to agencies of the Department of Defense shall be used for the operation, acquisition or construction of new facilities or equipment for new facilities in the continental limits of the United States for metal scrap baling or shearing or for melting or sweating aluminum scrap unless the Secretary of Defense or an Assistant Secretary of Defense designated by him determines, with respect to each facility involved, that the operation of such facility is in the national interest.

Exemption from apportionment.

31 USC 665.

SEC. 613. During the current fiscal year, the President may exempt appropriations, funds, and contract authorizations, available for military functions under the Department of Defense, from the provisions of subsection (e) of section 3679 of the Revised Statutes, as amended, whenever he deems such action to be necessary in the interest of national defense.

Commissary stores.

SEC. 614. No appropriation contained in this Act shall be available in connection with the operation of commissary stores of the agencies of the Department of Defense for the cost of purchase (including commercial transportation in the United States to the place of sale but excluding all transportation outside the United States) and maintenance of operating equipment and supplies, and for the actual or estimated cost of utilities as may be furnished by the Government and

Restrictions.

of shrinkage, spoilage, and pilferage of merchandise under the control of such commissary stores, except as authorized under regulations promulgated by the Secretaries of the military departments concerned, with the approval of the Secretary of Defense, which regulations shall provide for reimbursement therefor to the appropriations concerned and, notwithstanding any other provision of law, shall provide for the adjustment of the sales prices in such commissary stores to the extent necessary to furnish sufficient gross revenue from sales of commissary stores to make such reimbursement: *Provided*, That under such regulations as may be issued pursuant to this section all utilities may be furnished without cost to the commissary stores outside the continental United States and in Alaska: *Provided further*, That no appropriation contained in this Act shall be available in connection with the operation of commissary stores within the continental United States unless the Secretary of Defense has certified that items normally procured from commissary stores are not otherwise available at a reasonable distance and a reasonable price in satisfactory quality and quantity to the military and civilian employees of the Department of Defense.

Civilian employee ceiling.

Exception.

SEC. 615. No funds appropriated in title I, III, IV, and V of this Act shall be used for the payment in excess of 475,000 full-time graded civilian employees (including (a) the full-time equivalent of part-time employment, (b) persons who are described as "consultants" or who are compensated on a "when actually employed" basis if such persons are employed on a contract basis or are paid on a per diem basis, and (c) persons employed without compensation if they are reimbursed for expenses) at any one time during the current fiscal year: *Provided*, That whenever, in the opinion of the Secretary of the Military Department concerned, the direct substitution of civilian personnel for an equivalent or greater number of military personnel will result in economy without adverse effect upon national defense, such substitution may be accomplished without regard to the foregoing limitation, and such funds as may be required to accomplish the substitution may be transferred from the appropriate military personnel appropriation to, and merged with, the appropriation charged with compensation of such civilian personnel.

Proficiency flying.

Flight pay for certain officers.

63 Stat. 810.
37 USC 235.

SEC. 616. Notwithstanding any other provision of law, executive order, or regulation, no part of the appropriations in this Act shall be available for any expenses of operating aircraft under the jurisdiction of the Armed Forces for the purpose of proficiency flying except in accordance with the regulations issued by the Secretaries of the Departments concerned and approved by the Secretary of Defense which shall establish proficiency standards and maximum and minimum flying hours for this purpose: *Provided*, That without regard to any provision of law or executive order prescribing minimum flight requirements, such regulations may provide for the payment of flight pay at the rates prescribed in section 204 (b) of the Career Compensation Act of 1949 (63 Stat. 802) to certain members of the Armed Forces otherwise entitled to receive flight pay during the fiscal years 1956 and 1957 (1) who have held aeronautical ratings or designations for not less than twenty years, or (2) whose particular assignment outside the United States makes it impractical to participate in regular aerial flights.

Household goods.

Nonapplicability.

SEC. 617. No part of any appropriation contained in this Act shall be available for expense of transportation, packing, crating, temporary storage, drayage, and unpacking of household goods and personal effects in excess of eleven thousand pounds net in any one shipment: *Provided*, That the limitations imposed herein shall not be applicable in the case of members transferred to or serving in stations outside the continental United States or in Alaska under orders relieving them from a duty station within the United States prior to July 10, 1952, and who are returned to the United States under orders relieving them from a duty station beyond the United States or in Alaska on or after July 1, 1953.

Transfer of vessels.

SEC. 618. Vessels under the jurisdiction of the Department of Commerce, the Department of the Army, the Department of the Air Force, or the Department of the Navy may be transferred or otherwise made available without reimbursement to any such agencies upon the request of the head of one agency and the approval of the agency having jurisdiction of the vessels concerned.

Legal training.

SEC. 619. None of the funds provided in this Act shall be available for training in any legal profession nor for the payment of tuition for training in such profession: *Provided*, That nothing contained in this Act shall prohibit persons now attending law courses from completing same: *Provided further*, That this limitation shall not apply to the off-duty training of military personnel as prescribed by section 624 of this Act.

Public information, etc.

SEC. 620. Funds provided in this Act for public information and public relations shall not exceed $3,270,000.

Obligated funds, 1957.

SEC. 621. Not more than 20 per centum of the appropriations in this Act which are limited for obligation during fiscal year 1957 shall be obligated during the last two months of the fiscal year: *Provided*, That this section shall not apply to obligations for support of active duty training of civilian components or summer camp training of the Reserve Officers' Training Corps.

Acceptance of property from foreign countries.

SEC. 622. During the fiscal year 1957, the agencies of the Department of Defense may accept the use of real property from foreign countries for the United States in accordance with mutual defense agreements or occupational arrangements and may accept services furnished by foreign countries as reciprocal international courtesies or as services customarily made available without charge; and such agencies may use the same for the support of the United States forces in such areas without specific appropriation therefor.

Reports to Congress and Budget Bureau.

In addition to the foregoing, agencies of the Department of Defense may accept real property, services, and commodities from foreign countries for the use of the United States in accordance with mutual defense agreements or occupational arrangements and such agencies may use the same for the support of the United States forces in such areas without specific appropriation therefor: *Provided*, That within thirty days after the end of each quarter the Secretary of Defense shall render to the Committees on Appropriations of the Senate and the House of Representatives and to the Bureau of the Budget a full report of such property, supplies, and commodities received during such quarter.

Research and development.

5 USC 235e, 475j, 628e.

SEC. 623. During the current fiscal year, appropriations available to the Department of Defense for research and development may be used for the purposes of section 4 of the Act of July 16, 1952 (66 Stat. 725), and for purposes related to research and development for which expenditures are specifically authorized in other appropriations of the service concerned.

Tuition payments, etc.

SEC. 624. No appropriation contained in this Act shall be available for the payment of more than 75 per centum of charges of educational institutions for tuition or expenses for off-duty training of military personnel, nor for the payment of any part of tuition or expenses for such training for commissioned personnel who do not agree to remain on active duty for two years after completion of such training.

ROTC.
Loyalty requirement.

SEC. 625. No part of the funds appropriated herein shall be expended for the support of any formally enrolled student in basic courses of the senior division, Reserve Officers' Training Corps, who has not executed a certificate of loyalty or loyalty oath in such form as shall be prescribed by the Secretary of Defense.

Procurement of U. S. products.

SEC. 626. No part of any appropriation contained in this Act shall be available for the procurement of any article of food, clothing, cotton, spun silk yarn for cartridge cloth, or wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles) not grown, reprocessed, reused, or produced in the United States or its possessions, except to the extent that the Secretary of the Department concerned shall determine that a satisfactory quality and sufficient quantity of any articles of food or clothing or any form of cotton, spun silk yarn for cartridge cloth, or wool grown, reprocessed, reused, or produced in the United States or its possessions cannot be procured as and when needed at United States market prices and except procurements outside the United States in support of combat operations, procurements by vessels in foreign waters and emergency procurements or procurements of perishable foods by establishments located outside the continental United States, except the Territories of Hawaii and Alaska, for the personnel attached thereto: *Provided*, That nothing herein shall preclude the procurement of foods manufactured or processed in the United States or its possessions: *Provided further*, That no funds herein appropriated shall be used for the payment of a price differential on contracts hereafter made for the purpose of relieving economic dislocations.

Passenger automobiles.

SEC. 627. None of the funds appropriated in this Act shall be used for the purchase of passenger automobiles except for replacement: *Provided*, That the foregoing limitation shall not apply to the Navy and Marine Corps for one hundred and sixty-five vehicles, and to the Air Force for one thousand and sixty-nine vehicles.

Bakeries, laundries, etc.

SEC. 628. None of the funds appropriated in this Act shall be used for the construction, replacement, or reactivation of any bakery, laundry, or dry-cleaning facility in the United States, its Territories or possessions, as to which the Secretary of Defense does not certify in writing, giving his reasons therefor, that the services to be furnished by such facilities are not obtainable from commercial sources at reasonable rates.

Air mail.

SEC. 629. During the current fiscal year, appropriations of the Department of Defense shall be available for reimbursement to the Post Office Department for payment of costs of commercial air transportation of military mail between the United States and foreign countries.

Foreign quarters.

SEC. 630. Appropriations of the Department of Defense available for the payment of rental allowances shall be available for the leasing of quarters in foreign countries constructed under the authority of section 302 of Public Law 534, approved July 14, 1952, for assignment as public quarters to military personnel of the Department of Defense.

66 Stat. 622.

Furnishings.

SEC. 631. Appropriations contained in this Act shall be available for providing furnishings, without charge, in other than public quarters occupied by military or civilian personnel of the Department of Defense on duty outside the continental United States or in Alaska, upon a determination, under regulations approved by the Secretary of Defense, that such action is advantageous to the Government.

Uniforms.

SEC. 632. During the current fiscal year appropriations available to the Department of Defense for pay of civilian employees shall be available for uniforms, or allowances therefor, as authorized by the Act of September 1, 1954 (68 Stat. 1114).

5 USC 2131 note.

Promotion of rifle practice.

SEC. 633. During the current fiscal year, the Secretary of Defense shall, upon requisition of the National Board for the Promotion of Rifle Practice, and without reimbursement, transfer from agencies of the Department of Defense to the Board ammunition in such amounts as he may determine.

(b) Such appropriations of the Department of Defense available for obligation during the current fiscal year as may be designated by the Secretary of Defense shall be available for the travel expenses of military and naval personnel, including the reserve components, and members of the Reserve Officers' Training Corps attending regional, national or international rifle matches.

SEC. 634. This Act may be cited as the "Department of Defense Appropriation Act, 1957". Short title.

Approved July 2, 1956.

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